

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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REPORT

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ON

**KISUMU WATER AND SANITATION
COMPANY LIMITED**

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



KIWASCO
Refresh Life

KISUMU 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)**



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

Table of Contents	Page
I. Key Entity Information	iv
II. The Board of Directors.....	vi
III. Management Team.....	ix
IV. Chairman’s Statement	xii
V. Report of the Managing Director	xiv
VI. Statement of Performance against Predetermined Objectives for FY 2022/2023	xvii
VII. Corporate Governance Statement.....	xxi
VIII. Management Discussion and Analysis.....	xxiii
IX. Environmental and Sustainability Reporting	xxvi
X. Report of the Directors	xxix
XI. Statement of Directors’ Responsibilities.....	xxx
XII. Report of the Independent Auditors.....	xxxii
XIII. Statement of Profit or Loss & Other Comprehensive Income for The Year Ended 30 June 2023.	1
XIV. Statement of Financial Position as at 30 June 2023	2
XV. Statement of Changes in Equity for the Year Ended 30 June 2023	4
XVI. Statement of Cash Flows for the Year Ended 30 June 2023	5
XVII. Statement of Comparison of Budget & Actual Amounts for the Period Ended 30 June 2023 ...	6
XVIII. Notes to the Financial Statements	8
XIX. Appendices	52

I.Key Entity Information

Background information

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

Principal Activities

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

Vision: To be the most admired service provider

Mission: To provide quality water and sanitation services for improved livelihoods

- Core Values:**
- Integrity
 - Professionalism
 - Customer Focus
 - Creativity and Innovation
 - Teamwork

Directors

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

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

Corporate Secretary

Equity Secretaries and Registrars

Certified Public Secretaries

P.O. Box 14868, 00100

NAIROBI

Registered Office

Nafaka House, Oginga Odinga Street

P.O. Box 3210, 40100

KISUMU

Corporate Contacts

Telephone: (+254) 057 5007000

E-mail: info@kiwasco.co.ke

Website: www.kiwasco.co.ke

Corporate Bankers

Co-operative Bank of Kenya Limited

P.O. Box 1511, 40100

KISUMU.

Kisumu Main Branch

Independent Auditors

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084GPO 00100

Nairobi, Kenya

Principal Legal Advisers

Ouma Njoga and Company Advocates

P.O. Box 2536, 40100

KISUMU

II. The Board of Directors

 <p><i>Vinod Patel</i> Age: 54</p> <p>He is a Businessman and a contractor</p> <p>He is the nominee from the Governor's office He is currently the Chairman of Kisumu Water & Sanitation Co. Ltd</p>	 <p><i>Thomas Odongo</i> Age: 54</p> <p>BA. Economics & Sociology; Executive Diploma in Business Management & Ex. Diploma in Sales & Marketing Member Marketing Society of Kenya</p> <p>He is currently the Managing Director of Kisumu Water and Sanitation Company Ltd</p>
 <p><i>Mr. Abala Wanga</i> Age: 54</p> <p>Master of Business Administration from Strathmore University (SBS- Strathmore Business School). Bachelor's Degree in Law (LLB) from Kampala International University-Uganda, Diploma in Medical Laboratory Technology from Kenya Medical Training Centre, Nairobi, Kenya and is a beneficiary of Pan African EMBA IESE, Lagos and Strathmore Business School. He is currently the Kisumu City Manager.</p>	 <p><i>Mr. Albert Ojonyo</i> Age: 50</p> <p><i>Business Community representative</i></p> <p>A graduate in Business Management with bias in Risk Management and Insurance. Mr. Albert has vast experience in the insurance industry as depicted in his education and career. Currently he is the Chief Executive Officer of Raj Group Company Limited.</p>



Hon. Maryline Agwa

Age:45

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



George Okong'o

Age:46

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



Ms. Phyllis Chepkemboi Barasa

Age:42

An Advocate of the High Court of Kenya, Commissioner of Oaths and a Notary Public for over 10 years. She is the Managing Partner at C. P & amp; Advocates a law firm based in Kisumu City. She previously worked as Head of Legal and Compliance in a State Corporation and a leading commercial bank with footprints in East Africa.

She is currently a member of the Board, Kisumu Water and Sanitation Company representing Local Professionals



Dr. Benson Nyambega

Age:47

Ph.D. holder in Molecular Biology and Biochemistry from the University of Buenos Aires in Argentina. From 1998 -2003, Dr. Nyambega worked with ICIPE as Research Assistant. In 2003 he was appointed a tutorial fellow in the school of Public Health and Community Development at Maseno University, an institution where his career path took a positive growth as he moved from one rank to another through to the Director of Research and Innovation in 2021 to date.

He replaced the late Prof. Nobert Opiyo Akech in the board to represent Institutions of Higher learning.



Ms Dorcas Emily Indah

Age:67

A retired graduate teacher with ten years teaching at Langata High School and Kenya High School – English, Fine Art, Religious Ed and General Paper.

Dorcas has a wealth of experience in the marketing world, administration and management as she previously worked with Xerox (K) Ltd as Marketing Support Manager, East African Tea Trade Association as an Admin. Executive and General Manager with East African Courier Ltd where she wrapped it all as the Regional MD in East Africa

Currently she is a business lady and concentrates in expanding her own business – Pearl Banquets



Solomon Okeyo Awino - Company Secretary





Age: 52

A diligent and highly motivated professional with a passion for governance and legal acumen. Currently practicing as an Advocate of the High Court of Kenya and consultant as a Certified Public Secretary and Certified Governance Auditor.





Practicing as an Advocate in the style of ‘Ombati Otieno Opondo and Awino Advocates’ and company secretary in the style of ‘Equity Secretaries and Registrars’

He is a member of ICS with a registration no.1739

III. Management Team

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

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

 CPA Simon Ondigo	Head of Audit and Risk	MBA, CPA (K)	Accountant
 Antony Ogwang	Supply Chain Manager	MBA, Bachelors in Purchasing and Supply Management	Supply Chain Management
 CPA Jason Ochola	Head of Commercial services	MBA-Finance, BA in Economics, MA in Economics, CPA-K	Business Development
 Shem Otieno	ICT Manager	MBA, BSC, Information Technology/MIS	MIS Specialist

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

	<p>Head of Corporate Affairs & Communication</p>	<p>MBA Strategic Management, BA in Finance</p>	<p>Communication Expert</p>	
<p>Eldah Odongo</p>		<p>Non-Revenue Water Manager</p>	<p>Msc. Hydraulic Engineering, BSc. Water Engineering</p>	<p>Engineer</p>
<p>Geoffrey Opiyo</p>		<p>Company Secretary</p>	<p>Bachelor of Laws (LLB), Certified Public Secretaries of Kenya (CPSK), CPS REG. No. 1739 , PRACTICING No. 645</p>	<p>Advocate of High Court of Kenya and consultant as a Certified Public Secretary and Certified Governance Auditor</p>
<p>Solomon Okeyo Awino</p>				

IV.Chairman’s Statement

This year has not been easy. It started with a spate of deaths in the company and I remember us hosting a prayer day but I thank the Almighty that we have not lost any of us since then. We also had a snarl up due to the elections but it is good we quickly recovered and did not experience any major losses. However, I’m really proud of how you’ve all pulled together and the terrific results you have achieved. Later on, we had demonstrations popularly referred to as ‘maandamano’ that brought in a lot of uncertainty especially in this region but we also pulled through this.

Despite the macro-economic uncertainty, the business remained resilient during the year. Of concern were creeping inflation and introduction of various taxes that has significantly increased our average production costs, in that; general increases in prices of the key operating supplies that in turns led to high cost of sales as well as high operating and maintenance costs. The other key concern is the high non-revenue water percentage and low credit rating that affects our overall rating in the WASREB Impact reports. However, I’m happy to report that despite these challenges we are confident that we will manage the shifting economic landscape. Some of the Board’s key highlights in the financial year 2022/2023 are tabulated as below;

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

Profit before Tax (PBT)

The Board steered the Company to sustainable growth through various strategies premised on improving customer experience, enhancing sales growth, stepping up revenue collection, prudent cost management and reducing system losses. As a result, the business, despite operating in a tough macro-economic environment, recorded a loss of Kshs.4.5 million compared to previous year PBT of Kshs.90.4 million. The loss reduction in performance was mainly driven by increased cost of operations in the year and reduction in grant income realized in the previous year.

Strategy

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

Appreciations

I would like to place on record my thanks to the senior executive team, management and staff for their outstanding efforts during the year. We have some of the best people in the industry working at KIWASCO and their efforts will continue to place the company in a strong position to capture the opportunities ahead. I would also like to thank my fellow board members for their support during the year. We have had a solid year. The outlook is positive. The conditions are favourable. And the business is well positioned to continue to prosper into the future. I look forward to the years ahead with confidence. Special recognition to our development partners and financiers who continue to strengthen our partnerships through financial support, which has ensured we remain in business to deliver on our promise to the people of Kisumu City.

Let us toast to the possibility of a better year next year.


Vinod Patel
CHAIRMAN

V. Report of the Managing Director

A lot has happened during the financial year 2022/2023 period, both good and bad but most importantly we have come to the end of it. As the Holy book says, the end of a matter is better than the beginning of it.

Performance

In June 2023, WASREB Impact 15 report was released and the results were impressive. The company emerged position 9 overall and came fourth under the category of very large water utilities. We went ahead to bag position one in Customer Service, Pro-poor assessment and in the Lake Victoria South region. These results were announced during the WASPA Water & Sanitation International Conference and Exhibition that was held in Mombasa. KIWASCO was also ranked position 1 in the Water and Sanitation Innovation Awards 2023 under industry category. This was the best innovation dubbed 'the gold in urine.' The innovators behind this award are Carolyne Odero, Samuel Atika and Carolyne Omollo who collectively submitted the abstract and the innovation. This was a great improvement and I congratulate all who made this possible.

Staff Welfare

We successfully negotiated and implemented the CBA 2023/2024. All staff had their salaries reviewed upwards. A few of the contracted staff had their contracts revised into permanent and pensionable terms. Those who were in the 1-year contract graduated to the 3-year contract terms. This whole process was based on merit and having the right academic papers.

Accolades

We went in the book of history as the second water service provider in Kenya to acquire an 8-years operation license. This was a very momentous achievement for us considering how vigorous the process of acquisition is. Having such a license now presents us with an opportunity to operate up to the year 2030 without further renewal. It also positions the Company as a commercially viable entity hence increases the chances of access to commercial financing, public private partnerships (PPP) and donor partnerships. In addition, the company can now have an ample time to fully implement its long-term water supply and sanitation projects for improved service delivery to the residents of Kisumu City



Billing & Collection

Our collection efficiency is still below of what we hope to be. Previously, we would perform at 96% but the trend is dwindling. Our debt portfolio is increasing and if not checked, we shall be out of business. I have therefore formed a committee that will drive collections for the next 3 months i.e. July, August and September 2023. From my assessment, what is making us not to excel in the WASREB Impact report rating is the low collection efficiency which consequently affects our credit rating which is currently low. Let us all pull our efforts towards ensuring that collection efficiency goes back to a high of 96%.

Non-Revenue Water

As at end of June 2023, our Non-Revenue stood at **37%**. Same time last year the NRW was at 31%. The Time for talk is now over and it's time for action. There's a lot of energy and efforts being made towards managing apparent losses and I need to see the same energy towards management of physical losses. Over the years we have had several partners helping us towards management of NRW. The likes of VEI, Seureca, Jica and USAID but we still don't have tangible results to show for the efforts they made. I therefore direct that the staff incentive on NRW to be brought back act as a motivation and encourage staff to take active role.

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

This year we formed a NRW department that is fully fledged. For a long time NRW used to be a unit under the technical department. Formation of this department was a recommendation by one of our consultants in this subject matter. We have fitted the department with the right personnel and I expect nothing short of positive results.

We have also received a boost from the National Government through introduction of water police. This unit is working closely with the NRW department to curb illegal activities.

Milestone

Kisumu Water & Sanitation Company began operations in July 2003. Over the years, the company has undergone immense growth both internally and across the water sector. The company has set itself apart from others over the years and now it's time to celebrate our successes while learning from past mistakes and looking forward to the future. We shall be celebrating our 20 years of existence from July 2023 and we invite all stakeholder to join us.



Thomas Odongo
Managing Director

VI. Statement of Performance against Predetermined Objectives for FY 2022/2023

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

Kisumu Water and Sanitation Co. Ltd (KIWASCO) has 7 strategic pillars and objectives within its Strategic Plan for the FY 2017/2018- 2021/2022 plus a transitional Strategic Plan 2022-2023. These strategic pillars are as follows:

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

KIWASCO develops its annual work plans based on the above 7 pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the strategic plan period of 2017-2022 and 2022-2023 for most of its strategic pillars partly hampered by the Covid-19 Pandemic as indicated in the table below:

Strategic Objective	Performance indicator	Strategic Activities	Achievement
1. Water and waste water Infrastructure Development	Increased water coverage from 73% to 85%	Improve the water treatment facilities for Kajulu and Dunga plants.	89% water Coverage
		Improve the water distribution network.	
		Increase water service coverage through network expansion	
	Increased sewer coverage from 16% to 30%	Improvement of the waste water treatment facilities.	23% sewerage coverage
	Expansion of the sewer network		
2. Operational Efficiency	Reduced NRW from 37% to 25%	Active leak detection	37% NRW (average for the year)
		Eliminate illegal connections	
		Pressure management	
		Improve meter accuracy	
	Develop NRW reduction framework		
Improved operational efficiencies	Modernize and automate all operations in water treatment plants	Dosing process already automated	

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

Strategic Objective	Performance indicator	Strategic Activities	Achievement
		Improve the operations of the water distribution network	99% efficiency in sewer distribution
		Improve the operations at the waste water plants and pumping station	
		Improve operations of the sewer network	
	100% safety and optimal utilization of resources	Strengthen internal controls	96% water quality
		Ensure effective asset protection	
	100% adherence to drinking water and waste water standards and regulations	Improve water quality assurance infrastructure	93 % compliance to standards. Equipment for microbiology testing acquired.
Implement water safety plan - WSPs Implement waste water standards		WSP Developed & Implementation ongoing	
3. Customer Service	Increased customer satisfaction level from 71% to 80%	Strengthen customer service management systems	77% Customer satisfaction achieved and call centre established
		Entrench a customer focus culture among all employees	
		Establish a customer care centre	
		Improve on the levels of customer satisfaction	
		Improve customer engagements and loyalty	
		Develop and implement a customer focused Marketing Strategy	
4. Pro-poor initiatives	Improve access in the low income area from 78% to 90%	Increase access in the low income areas	88% achievement
		Develop policies and strategies aimed at Pro-poor sector	
		Reduce NRW in LIAs	
		Adopt appropriate technologies	
	Sustain Pro poor initiatives	Enhance Community participation	Continuous exercise
		Develop partnerships	
Implement sustainable initiatives			
5. Financial Sustainability	Improve revenues by 10% (From 52M per month to 85M per month)	Improve revenue collection efficiency	8% achieved over the period. ERP system implemented to improve efficiency.
		Improve billing efficiency	
		Increase number of water and sewer connections	
		Enhance alternative revenue streams	
		Automation of operations	

Kisumu Water and Sanitation Company Ltd

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

Strategic Objective	Performance indicator	Strategic Activities	Achievement
	Improve cost efficiency from 90% to 95% (cost management)	Ensure efficient supply chain management process	95% achieved. ERP system in place
		Manage staff costs	Continuous exercise
		Reduce operational costs	
	Improve Financial Management and Accountability	Ensure effective budgeting process	Continuous exercise
		Adopt financial best practices	Continuous exercise in addition to new ERP system
		Adhere to regulatory and statutory obligations	
		Ensure effective audit and reporting practices	
	Strengthen financial management system		
	Reduce accounts receivables by 50% (From 180M to 90M by 2022)	Develop a Debt Management Structure	Debt policy approved by the Board
		Develop a debt management policy framework	
		Provide for bad and doubtful debts	
	Mobilize required resources	Improve credit rating	Grants & donations received from various partners
		Develop a resource mobilization strategy	
		Develop funding proposals	
Develop sustainable partnerships			
6. Institutional Strengthening	Improve employee productivity from 79% to 85%	Attract and retain competent staff	81% achievement (Continuous exercise)
		Undertake a staff rationalization exercise	
		Implement a responsive organization structure	
		Develop employee training and development plan	
		Implement a robust performance management system	
	Increased employee satisfaction levels from 61% to 70%	Improve employee motivation	Currently at 83% satisfaction
		Improve staff welfare	
		Improved working environment	
		Provide adequate office infrastructure	
	Strengthened human resources function	Provide employees with working tools	ERP system implemented
		Develop, review and implement institutional policies and procedures	
	Improved institutional visibility and branding	Develop integrated human resources information management system	Continuous exercise
		Implement the organization core values	
		Undertake a culture change programme	
		Improve employee branding	

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

Strategic Objective	Performance indicator	Strategic Activities	Achievement
		Improve company branding	
7. Effective Corporate governance	Enhanced board capacity in good governance	Strengthen the capacity of the Board on corporate governance	Training and evaluation conducted
		Reinforce the structures and instruments of good corporate governance	
		Undertake annual board evaluations	
	Reduced exposure to risks	Implement enterprise wide risk management framework	Continuous exercise
		Protect company assets	
		Develop a business continuity plan	BCP and Emergency response plan implemented
		Develop a COVID-19 Management Framework	
		Ensure effective Audits	Continuous exercise
	Improved stakeholder relations	Undertake stakeholder engagements	Done annually
		Ensure annual reporting to stakeholders	
		Ensure fulfilment of external/statutory requirements	
		Develop sustainable partnerships	Continuous exercise
	Increased Lobbying	Lobby for increased resources	
	Lobby for supportive legislation and regulations	Ongoing with the County assembly	

VII. Corporate Governance Statement

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

Board Calendar

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

Board Composition and Appointment

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

Board Meetings

The Board meets at least four times a year. The Board deals with all significant matters including strategic directions, ensuring competent management of the business, internal controls, compliance with laws and regulations and reporting performance to the shareholders.

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

Conflict of Interest

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

Committees of the Board

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

The Board has four Committees namely:

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

Internal Controls

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

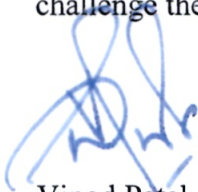
The system of internal controls has defined procedures for operational and financial controls to ensure assets are safeguarded, transactions are properly authorized, recorded and irregularities are prevented or detected within reasonable period of time.

Accountability and Audit

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

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

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



Vinod Patel
Chairman



Thomas Odongo
Managing Director

VIII. Management Discussion and Analysis

Budget Absorption for FY 2022/2023

DESCRIPTION	Budgets 2022/2023	Actual 2022/2023	% ABSORPTION
Total Revenue	1,112,581,869	1,065,699,528	96
Total costs	1,109,805,917	1,070,204,003	96

The absorption rate of the estimated revenue budget compared to the actuals for the year was 96% against the expenditure absorption of 96.2%.

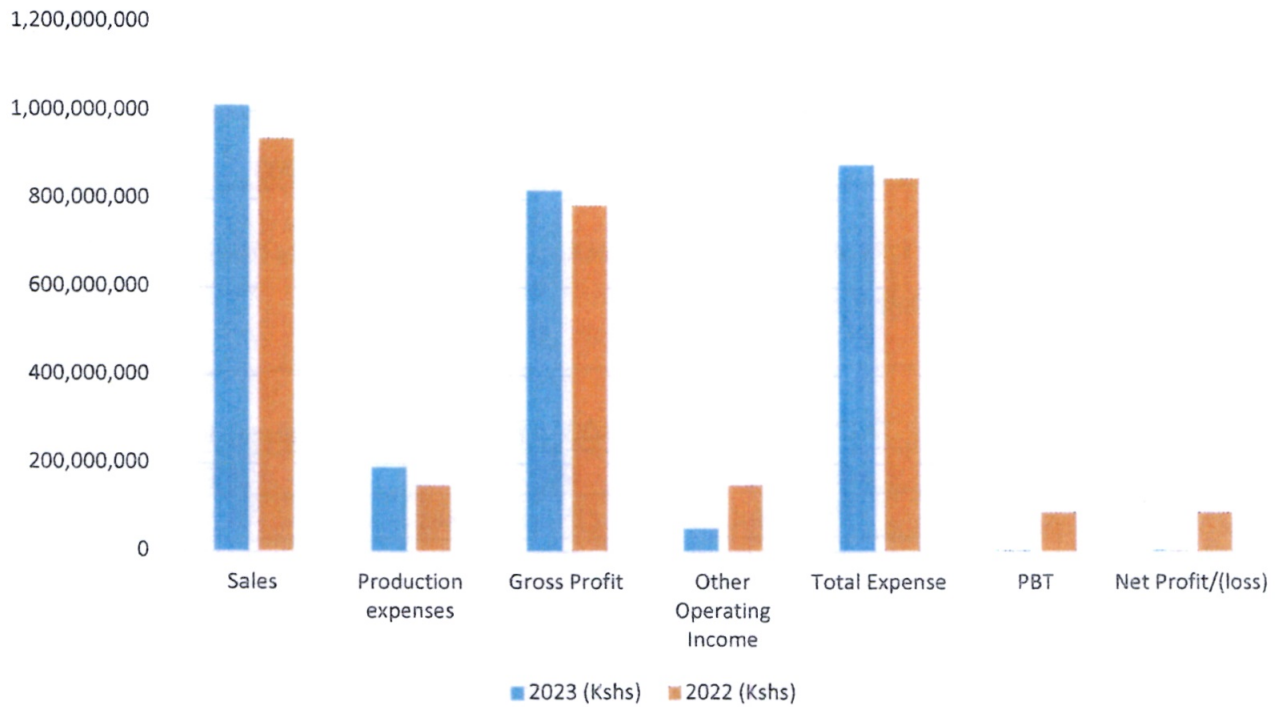
Description	2023 (Kshs)	20221 (Kshs)	Variance (Kshs)	Percentage
Sales	1,012,683,919	937,597,019	75,086,900	8%
Production expenses	(192,359,422)	(151,113,984)	41,245,438	27%
Gross Profit	820,324,497	786,483,035	33,841,462	4.3%
Other Operating Income	53,015,609	151,797,768	(98,782,159)	65%
Total Expense	(877,844,581)	(847,824,099)	30,020,482	3.5%
PBT	(4,504,476)	90,456,704	(94,961,180)	105%
Net Profit/(loss)	(4,504,476)	90,456,704	(94,961,180)	105%
Fixed assets	527,066,524	322,939,062	204,127,462	63%
Long-Term Liabilities	356,594,452	265,436,586	91,157,866	34%
Current Assets	338,682,259	447,920,005	(109,237,746)	24%
Current liabilities	172,540,293	284,306,150	(111,765,857)	39%
Total Assets	865,748,783	770,859,067	94,889,716	12.3%
Total Liabilities	529,134,745	549,742,737	(20,607,992)	3.5%

Notes;

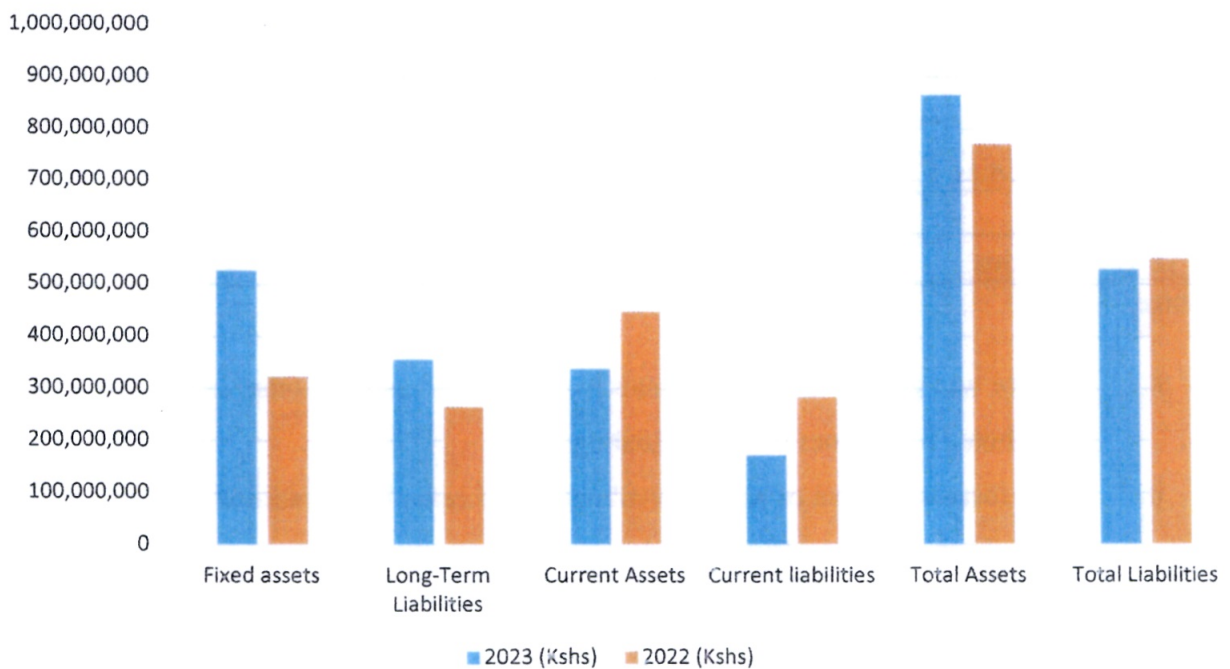
- i. There was growth in sales revenues by 8% and a decline in other income by 65% attributed to declines in grants funding.
- ii. The increase in cost of sales is attributed to increase in operational costs and prolonged drought that affected River Kajulu
- iii. The Company's total assets grew by 12.3%.
- iv. Total Liabilities equally increased by 3.5%.

Graphical presentation

Income Statement Analysis



Assets Growth Analysis



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

Description	2023 (Kshs)	2022 (Kshs)	2021 (Kshs)	2020 (Kshs)
Sales	1,012,683,919	937,597,019	797,099,981	794,276,150
Production expenses	(192,359,422)	(151,113,984)	(148,377,800)	(154,760,716)
Gross Profit	820,324,497	786,483,035	648,722,181	639,515,433
Other Operating Income	53,015,609	151,797,768	224,389,950	50,467,569
Total Expense	(877,844,581)	(847,824,099)	(795,440,300)	(684,327,419)
PBT	(4,504,476)	90,456,704	77,671,832	5,655,583
Net Profit/(loss)	(4,504,476)	90,456,704	77,671,832	3,973,723
Fixed assets	527,066,524	322,939,062	286,548,337	306,228,589
Long-Term Liabilities	356,594,452	265,436,586	249,394,060	309,412,203
Current Assets	338,682,259	447,920,005	356,904,686	317,376,604
Current liabilities	172,540,293	284,306,150	263,399,336	314,192,990
Total Assets	865,748,783	770,859,067	643,453,023	623,605,192
Total Liabilities	529,134,745	549,742,737	512,793,396	623,605,192

IX.Environmental and Sustainability Reporting

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

i) Sustainability strategy and profile -

Increasingly, businesses of all sizes have been recognizing the importance of incorporating Environment, Social and Governance (ESG) principles in their strategic decision making. Employees, customers, investors, lenders and government regulators are demanding that organizations consider how their operations are combating issues such as climate change, workplace safety and equal opportunities. ESG has the power to build trust with stakeholders and achieve long term success.

KIWASCO has started the journey of sustainability and with time it shall get better. We have partnered with most of our suppliers to support most climate change initiatives such as world water days and tree planting exercise in all our installations as part of achieving the bigger government agenda of planting trees. We have also brought on board many partners on the sanitation front in order to promote the circular economy of use and re-use for both water and solid waste.

ii) Environmental performance

We are working on a level approach to assessing our suppliers on environmental issues such as climate change, waste water management frameworks and water use and re-use. We are currently in the process of developing an environmental policy for the organization, all the same we are guided by existing environmental laws that we adhere to in terms of water and waste water treatment .We conduct annual environmental audits that benefits us through identification of hazards and activities that may affect the environment during our operations .We also perform Environmental Social Impact Assessment before any project is implemented. Protection of biodiversity is our key priority as it plays a vital role in the reliable supply of water to Kisumu residents, we

continuous hold tree planting activities and wetlands protection in our organization to emphasize on the culture of biodiversity protection.

iii) Employee welfare

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

Our occupational health and safety strategy aim to create a culture free of work-related injury illness for workers and happier, healthier and more engaged workforce.

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

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

iv) Market place practices

a) Responsible competition practice.

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

b) Responsible Supply chain and supplier relations

The company has in place a sustainable procurement policy which outlines responsibilities of both the company and its suppliers towards environmental sustainability and responsible production and consumption. This is as per SDG No. 12

on responsible production and consumption. The contracts spells out acceptable credit terms which are honoured by the company.

c) Responsible marketing and advertisement

We practice ethical marketing and advertisement through disclosing information on our products and services. For example during the review of the water tariff or license review, the company engaged the public for their views through public participation forums. We advise customers on appropriate use of our products such as sludge manure. The company also regularly engages the customers by giving them tips on how to minimize their consumption and save water thereby helping them save cost on their water bills.

d) Product stewardship

The company has maintained the drinking water quality that is supplied to customers hence we have been aggressively running the campaign on drinking of water direct from the tap to reduce plastic waste disposal which is one of the environmental polluters. Further, we recycle and reuse faecal waste into manure that's suitable for growing trees and flowers thus conserving the environment.

v) Corporate Social Responsibility / Community Engagements

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

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

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

X. Report of the Directors

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

i) Principal activities

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

ii) Results

The results of the company for the year ended June 30, 2023 are set out on page Below is summary of the profit or loss made during the year.

	2023	2022
RESULTS	Kshs	Kshs
Profit before tax	(4,504,476)	90,456,704
Tax	0	0
Profit for the year	(4,504,476)	90,456,704

iii) Dividends

The company has not declared dividends for the year ended 2023

iv) Directors

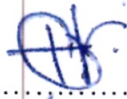
The members of the Board of Directors who served during the year are shown on page iv in accordance with Regulation 3.1 of the company's Articles of Association.

Auditors

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

By Order of the Board

Name: Thomas Odongo

Signature.....

Date.....28/09/2023

Corporate Secretary/Secretary to the Board

XI.Statement of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 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, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv) Safeguarding the assets of the Company;
- v) selecting and applying appropriate accounting policies; and
- vi) Making accounting estimates that are reasonable in the circumstances.

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

Statement of Directors' Responsibilities (Continued)

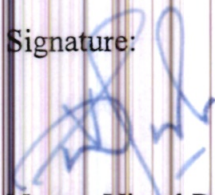
The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2023, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The company financial statements were approved by the Board on __28th September_ 2023 and signed on its behalf by:

Signature:



Name: Vinod Patel

Chairperson of the Board

Signature:



Name: Thomas Odongo

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 KISUMU 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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kisumu Water and Sanitation Company Limited set out on pages 1 to 54, 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 Kisumu 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 Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Un-Supported Borrowings

The statement of financial position and as disclosed in Note 36 to the financial statements reflects a non-current borrowings balance of Kshs.100,797,098 and a current borrowings balance of Kshs.10,038,002. However, the loan agreements, loan confirmations and statements with details of terms and conditions including rate of interest charged was not provided for audit.

In the circumstances, the accuracy, existence and completeness of the non-current borrowings of Kshs.100,797,098 and current borrowings of Kshs.10,038,002 could not be confirmed.

2. Un-Supported Customer Deposits and County Government Contribution

The statement of financial position and as disclosed in Note 39 to the financial statements reflects trade and other payables - non-current liabilities balance of Kshs.167,994,612 out of which a balance of Kshs.152,250,778 is in respect of water deposits. However, customer statements confirming who is owed and the amounts owed was not provided for audit. In addition, the non-current liabilities included an amount of Kshs.15,743,834 reflected as amount received from County Government contribution. However, the details of what the amount relates to, were not provided for audit.

In the circumstances, the accuracy and completeness of the water deposits balance of Kshs.167,994,612 could not be confirmed.

3. Long Outstanding Payables

The statement of financial position and as disclosed in Note 40 to the financial statements reflects trade and other payables - current liabilities balance of Kshs.153,010,955. However, an ageing analysis of the payables revealed that bills totalling to Kshs.58,345,522 were more than one (1) year old. It is not clear, and Management has not provided the reasons for failure to pay the long outstanding creditors.

In the circumstances, the accuracy and completeness of the outstanding payables could not be confirmed.

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

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

The audit of the previous year reported several matters relating to report on the financial statements and report on lawfulness and effectiveness in use of public resources. No reasons have been provided for the failure to address the 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. Non-Revenue Water

Review of water production and consumption records revealed that the Company produced 11,722,677 cubic meters of water value at approximately Kshs.1,641,174,780 but only billed 7,330,450 cubic meters approximately valued at Kshs.1,026,263,000. This resulted into a loss of 4,392,226 cubic meters or 37% of total production. This is over and above the allowable loss of 25% as provided by schedule E of Water Services Regulatory Board (WASREB) guidelines.

In the circumstances, the Company is likely to continue incurring huge financial losses in future for failure to collect revenue accruing from the unaccounted-for water.

2. Engagement of Casuals Beyond the Stipulated Period of Three (3) Months

The statement of profit or loss and other comprehensive Income reflects staff costs of Kshs.333,498,747 as disclosed in Note 9 to the financial statements. Included in this

amount is casual workers' wages amount of Kshs.25,810,460. During the year under review, the Company engaged casuals for purposes of continuity in service delivery. However, they served throughout the year under review, contrary to the requirements of Section 37(1) of the Employment Act, 2007 which spells out the period under which a casual can serve.

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

3. Non-Compliance with the Law on Ethnic Composition

The statement of profit or loss and other comprehensive income reflects staff costs of Kshs.333,500,931 as disclosed in Note 9 to the Financial Statements. Review of the staff bio data and ethnicity report revealed that the Company had three hundred and twelve (312) employees during the year under review, out of which two hundred and sixty-six (266) or approximately eighty-five percent (85%) were from the dominant community in the county. Further, the Company recruited (4) new staff in the year under review, all from the dominant community in the County. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community.

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

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

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

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but

is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


FCPA Nancy Gatungu CBS
AUDITOR-GENERAL

Nairobi

09 May, 2024

XIII. Statement of Profit or Loss & Other Comprehensive Income for The Year Ended 30 June 2023.

	Note	2023-2023	2021-2021
		Kshs	Kshs
Revenue			
Operating Revenue	6	1,012,683,919	937,597,019
Grants Income	7	27,227,907	128,338,226
Other Operating Income	8	25,787,702	23,459,542
Total Revenue		1,065,699,528	1,089,394,787
Expenses			
Staff Costs	9	333,498,747	321,303,443
Production expenses	10	192,359,422	151,113,984
General and Operations expenses	11	131,952,326	151,369,154
Board Expenses	12	10,081,425	12,695,134
Maintenance Expenses	13	215,581,203	191,902,457
Establishment Expenses	14	123,327,296	125,974,620
Depreciation and Amortization expenses	15	58,398,647	44,579,291
Finance Costs		5,004,937	-
Total Expenses		1,070,204,003	998,938,083
Profit/(Loss) Before Taxation		(4,504,476)	90,456,704
Income Tax Expense/(Credit)	17	-	-
Profit/(Loss) After Taxation		(4,504,476)	90,456,704
Earnings Per Share – Basic And Diluted		-	-
Dividend per share	19	-	-
Other Comprehensive Income			
Profit/ (Loss) After Taxation		(4,504,476)	90,456,704
Surplus or Deficit On Revaluation Of PPE	32	120,005,182	-
Re-measurement Of Net Defined Benefit Liability		-	-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI		-	-
Total Comprehensive Income For The Year		115,500,707	90,456,704

XIV. Statement of Financial Position as at 30 June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	20	514,447,090	304,445,566
Intangible assets	21	7,605,362	13,479,425
Deferred tax	26	5,014,071	5,014,071
Total Non-Current Assets		527,066,524	322,939,062
Current Assets			
Inventories	27	67,977,769	56,247,689
Trade and receivable	28a	208,528,704	270,661,636
Staff Recoverable	28c	33,840	5,000
Prepayments and deposits	28d	11,697,036	7,949,103
Tax Recoverable (VAT)	29	28,761,122	28,761,122
Bank and cash balances	30	21,436,125	84,295,455
Total Current Assets		338,434,596	447,920,005
TOTAL ASSETS		865,501,120	770,859,067
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	31	100,000	100,000
Revaluation reserve	32	121,181,296	1,176,114
Retained earnings	34	215,332,741	219,840,216
Capital and Reserves		336,614,036	221,116,330
Non-Current Liabilities			
Borrowings	36	100,797,098	-
Trade and other payables	39	167,994,612	168,083,250
Capital Grants	43	87,555,079	97,353,336
Total Non-Current Liabilities		356,346,778	265,436,586

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

Current Liabilities			
Borrowings	36	10,038,002	-
Trade and other payables	40	153,010,955	275,032,075
Current tax	44	9,274,075	9,274,075
Provision for liabilities and charges	45	217,262	0
Total Current Liabilities		172,540,293	284,306,150
TOTAL EQUITY AND LIABILITIES		865,501,120	770,859,067

The financial statements were approved by the Board on _28th September_ 2023 and signed on its behalf by:



.....
Name: Thomas Odongo

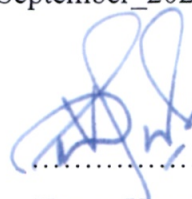
Managing Director



.....
Name: CPA Nicholas Mosei

Head of Finance

ICPAK M/No:14313



.....
Name: Vinod Patel

Chairman of the Board

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

	Notes	Ordinary share capital	Revaluation reserve	Retained earnings	Total
As at July 1, 2021	24	100,000	1,176,114	129,383,512	130,659,626
Profit for the year		-	-	90,456,704	90,456,704
Dividends payable		-	-	-	-
As at June 30, 2022		100,000	1,176,114	219,840,216	221,116,330
As at July 1, 2022		100,000	1,176,114	219,840,216	221,116,330
Prior year Adjustment				(3,000)	(3,000)
Revaluation Surplus			120,005,182		120,005,182
Profit for the year		-	-	(4,504,476)	(1,875,385)
Dividends payable		-	-		
At June 30, 2023		100,000	121,181,296	215,332,741	336,614,036

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

	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash Flows from Operating Activities			
Cash Generated from operations	46	(37,200,460)	83,739,755
Tax paid			-
Net Cash from Operating Activities		(37,200,460)	83,739,755
Cash Flows from Investing Activities			
Purchase Of Property, Plant and Equipment (PPE)	20	(143,397,773)	(76,641,767)
Purchase Of Intangible Assets	21		(4,328,250)
Proceeds From Disposal/ Impaired		4,282,832	-
Net Cash From/ (Used In) Investing Activities		(139,114,941)	(80,970,017)
Cash Flows from Financing Activities			
Interests Paid	16	-	-
Proceeds From Borrowings	35	110,835,100	-
Repayment Of Borrowings	35	-	-
Increase in water deposits	40	10,827,923	13,281,254
Grant received	42	16,069,892	13,360,281
Grants reversed from prior year to P&L account		(13,360,281)	
Reduction in Long-term Liabilities – CGK contribution		(10,916,562)	-
Net Cash From/ (Used In) Financing Activities		113,456,072	26,641,534
Increase/(Decrease) In Cash and Cash Equivalentents		(62,859,330)	29,411,272
Cash and Cash Equivalentents at Beginning of Year		84,295,455	54,884,182
Increase/(Decrease)		(62,859,330)	29,411,272
Cash and Cash Equivalentents at End of The Year	29	21,436,125	84,295,455

XVII. Statement of Comparison of Budget & 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		
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Operating Revenue	1,065,581,869	-	1,065,581,869	1,012,683,919	(52,897,950)	95%
Grants Income	20,000,000	-	20,000,000	27,227,907	7,227,907	136%
Other operating income	27,000,000	-	27,000,000	25,787,702	(1,212,298)	95.5%
Total Revenue	1,112,581,869	-	1,112,581,869	1,065,699,528	(46,882,341)	96%
Expenses						
Staff costs	359,249,923	-	359,249,923	333,498,747	25,751,176	92.8%
Production expenses	196,843,982	-	196,843,982	192,359,422	4,484,560	97.7%
General and Operations expenses	157,708,512	(20,200,000)	137,508,512	131,952,326	5,530,569	96%
Board expenses	11,903,571	-	11,903,571	10,081,425	1,822,146	84.7%
Maintenance expenses	179,601,143	26,700,000	206,301,143	215,581,203	(9,280,060)	104.5%
Establishment expenses	143,059,492	-	143,059,492	123,327,296	19,732,196	86%
Depreciation and amortization	47,008,412	-	47,008,412	58,398,647	(11,390,235)	124.2%
Finance costs	14,430,880	(6,500,000)	7,930,880	5,004,937	2,925,944	63.1%
Total Recurrent Expenditure	1,109,805,917	-	1,109,805,917	1,070,204,003	39,601,914	96.4%
Profit or Loss	2,775,952		2,775,952	(4,504,476)	(7,280,428)	162.3%
Capital Expenditure	141,143,000	-	141,143,000	143,397,773	(2,254,773)	101.6%
Total Expenditure	1,250,948,917		1,250,948,917	1,213,601,776	37,347,141	97%

Note:

- i. The Company achieved 95% of the budgeted revenue in the year under review. This performance is within the acceptable variance considering the state of the economy and the political environment during the period.
- ii. Grants and Grants writeback exceeded the target by 36% while Other miscellaneous equally achieved 95.5% of the target which is commendable
- iii. Staff expenses was marginally within approved budget with a 92.8% utilisation
- iv. Production expenses was marginally within budget with an absorption level of 97.7%
- v. General and operational expenses achieved 96% performance in the year under review. Reallocation of funds within the budget was done and approved in the supplementary budget to cater for overspendings in the maintenance expenditure
- vi. Maintenance expense adjusted upwards to cater for escalating costs of materials leading to overspending. The actual expenditure was 4.5% above the revised budget.
- vii. Establishment expenses were within budget with a performance level of 86%
- viii. Finance charges incurred during the year 63.1% of the budget. This was due to the fact that the loan was obtained later in January 2023 as opposed to the planned July 2022 hence the low absorption.
- ix. Reduced profitability in the year majorly due to overspending in maintenance expenses

XVIII. Notes to the Financial Statements

1. General Information

Kisumu Water and Sanitation Company Ltd is established by and derives its authority and accountability from the Companies Act. The Company is wholly owned by the County Government of Kisumu and is domiciled in Kenya. The Company's principal activity is to abstract, treat and supply portable water and to provide sanitation services.

The balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company. The figures are rounded to the nearest Kenyan shilling.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company's Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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 2023

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.	Effective for annual periods beginning on or after 1st January 2023.
IAS (International Accounting Standards) 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.
The amendments are effective for annual reporting periods beginning on or after January 1, 2023.	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.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.
Title	Description	Effective Date

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.

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 2023.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

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

iii. *Early adoption of standards*

The entity did not early – adopt any new or amended standards in year 2022/2023

NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

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

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

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

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

e) Intangible assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

f) Amortisation and impairment of intangible assets

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

g) Inventories

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

h) Trade and other receivables

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

i) Taxation

i) Current income tax

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

j) Deferred tax

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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

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

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

k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred. There was however no borrowing in the financial year under review.

l) Cash and cash equivalents

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

m) Borrowings

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

n) Trade and other payables

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

o) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees and scheme is administered by both County Pension Fund (CPF) and LAPFUND teams and are funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1,080 per employee per month.

p) Provision for staff leave pay

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

q) Exchange rate differences

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

r) Budget information

The original budget for FY 2022-2023 was approved by the Board of Directors on 29th 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's governing body's did not approve any additional appropriations but reallocated the funds on the 2022-2023 budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section XVII. of these financial statements.

s) Service concession arrangements

The Company analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Company recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Company also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

t) Comparative figures

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

u) Subsequent events

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

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 45.

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

NOTES TO THE FINANCIAL STATEMENTS (Continues)

6. Operating Revenue

	2022-2023	2021-2022
	Kshs	Kshs
Water sales	795,569,070	703,192,410
Sewerage Services	217,114,849	234,404,609
Billing for other services		-
Total	1,012,683,919	937,597,019

7. Grants Income

	2022-2023	2021-2022
	Kshs	Kshs
Operational grants from Government entities	-	116,339,218
Recurrent/operational grants from other agencies	14,720,038	-
Capital grants amortized	12,507,868	11,999,008
Donations from the County Government of Kisumu	-	-
In Kind contribution/donations from other agencies	-	-
Total	27,227,907	128,338,226

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund. Kshs	Total grant income during the year Kshs	2022-2023 Kshs
Water Sector Trust Fund	12,507,868		-		12,507,868
Ministry	-	-	-	-	-
Other partners (EU-WOP)	14,720,038				14,720,038
Total	27,227,907		-		27,227,907

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Other Income

	2022-2023	2021-2022
	Kshs	Kshs
Illegal connections	1,953,126	1,475,338
New water connections	2,969,100	4,679,776
Reconnection fees	10,165,092	7,240,351
Sewer connection	470,156	827,935
Surcharge on meter loss	1,197,973	1,695,591
Miscellaneous income (specify)	4,265,454	884,651
Other Income - Donations		-
Exhauster Services	4,766,800	6,655,900
Total	25,787,702	23,459,542

9. Staff Costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Gross Salary and Allowances	247,858,602	248,182,879
Contracted / Temporary workers' Wages	25,810,460	27,295,303
Medical insurance schemes	37,370,992	24,452,826
Employer's contributions to social security schemes	2,128,181	777,508
Employer's contributions to pension scheme	13,416,769	14,166,898
Provisions for Leave pay (Payment in lieu of leave)	687,090	973,375
Staff Gratuity	3,724,512	4,155,256
Staff welfare	2,312,141	1,105,799
Other allowances- Directorate of Industrial Training (DIT) Levy	190,000	193,600
Total	333,498,747	321,303,443
The Average number of employees during the year	312	321

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

10. Production expenses

	2022-2023	2021-2022
Description	Kshs	Kshs
Opening stock of Chemicals	3,554,308	2,554,170
Chemicals	128,858,870	87,293,023
Electricity	68,124,867	64,821,099
Less Closing stock of Chemicals	(8,178,623)	(3,554,308)
Total	192,359,422	151,113,984

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. General and Operations Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Opening Stocks (Uniforms and Stationery)	4,499,118	2,754,493
Uniform and protective clothing	4,843,122	5,674,189
Publicity and advertising	11,775,819	11,203,166
Tenders	348,188	414,455
Bank Charges and commissions	3,925,634	3,446,432
Staff training and development	8,409,052	8,536,519
Telephone and Postage	10,997,161	11,671,786
Vehicle running expenses (Fuel, oil, lubricants & repairs)	27,895,305	27,276,639
Traveling and subsistence	21,756,018	15,639,605
Printing and stationery	5,244,538	5,231,475
Sports and recreation	1,870,616	5,747,825
Audit fees	580,000	580,000
Telecommunication- ICT expenses	12,753,432	15,382,041
Debt collection	79,913	874,895
Bad debts provision	-	24,378,040
Legal and Professional fees	5,165,619	2,260,108
Consultancy fees	9,509,431	7,704,540
Office expenses	7,632,324	7,042,064
Donations/CSR	-	50,000
Closing Stocks (Uniforms and Stationery)	(5,332,961)	(4,499,118)
Total	131,952,326	151,369,154

12. Board Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Chairman Honoraria		-
Sitting allowances	5,762,189	5,412,132.88
Induction and Training (Board retreat)	1,505,576	3,806,332.76
Annual General Meeting (AGM) & stakeholders meeting	2,635,328	3,348,836.80
Refreshments	178,332	127,832.00
Total Board Expenses	10,081,425	12,695,134.44

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Maintenance Expenses

	2022-2023	2021-2022
Description	Kshs	Kshs
Opening inventories of consumables	48,194,263	38,501,924
Network maintenance	158,455,251	166,711,142
Sewerage maintenance	14,232,111	8,928,323
Sanitation	12,781,370	-
Laboratory reagent	14,137,756	8,632,399
Water pump maintenance	9,405,280	4,247,514
Electrical items	12,841,355	13,075,419
Closing inventories of consumables	(54,466,184)	(48,194,263)
Total Maintenance Expenses	215,581,203	191,902,458

14. Establishment Expenses

	2022-2023	2021-2022
Description	Kshs	Kshs
Conservancy fees	35,957,910	31,992,380
LTAP - operating Lease	5,000,000	11,000,000
WASREB levy	42,059,417	37,503,881
WRA levy	9,029,964	8,620,489
NEMA	210,100	210,100
KEBS levy	400,000	400,000
WASPA	230,000	190,000
Rent and Rates	2,972,008	2,854,198
Office repairs and maintenance	745,808	3,859,765
Electricity	697,710	480,455
General insurance	2,129,509	1,649,830
Security services	22,704,000	22,239,500
Impairment loss on meters		-
Bulk water Costs	1,190,871	4,974,022
Total	123,327,296	125,974,620

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Depreciation and Amortization Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Property, plant, and equipment	52,524,585	38,705,228
Intangible assets	5,874,062	5,874,062
Investment property carried at cost		-
Total Depreciation and Amortization	58,398,647	44,579,291

16. Finance costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest expense on loans	5,004,937	-
Interest expense Insurance Premium Financing (IPF)	-	-
Interest on lease liabilities	-	-
Total	5,004,937	-

17. Income Tax Expense/(Credit)

Current taxation

	2022-2023	2021-2022
	Kshs	Kshs
Adjusted profit for the year	(-)	(36,959,563)
Current taxation based on the adjusted profit for the year at 30%	-	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2022-2023	2021-2022
	Kshs	Kshs
Profit before taxation	(4,504,476)	90,456,704
Tax at the applicable tax rate of 30%	(1,351,342.8)	27,137,011
Current tax	-	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	22,307,802	14,068,433
Tax effects of income not taxable	(8,168,371.8)	(38,501,468)
Tax effects of excess capital allowances over depreciation/amortization	(15,490,772.1)	(13,791,845)
Deferred tax prior year over-provision		-
Total	(1,351,343)	(11,087,869)

18. Earnings Per Share

The company realized a loss for the year under review hence no EPS calculation. The earnings per share is calculated by dividing the profit after tax by the average number of ordinary shares in issue during the year of 5,000 (2022-2023) There were not dilutive or potentially dilutive ordinary share as at the reporting date.

19. Dividend Per Share

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Property, Plant and Equipment

2022-2023	Leasehold improvements	Plant, meters and machinery	Motor vehicles, including, motor cycles	Office equipment, furniture & fittings	Computers & related equipment	Capital work in progress	Project assets	Total
Cost or Valuation								
At July 1, 2022	1,138,554	272,248,812	26,677,683	14,622,033	21,362,628	50,950,088	194,770,727	581,770,525
Additions		19,993,200	12,890,000	526,844	4,230,936	86,930,611	18,826,182	143,397,773
Revaluation and Transfers	63,861,446	(424,911.91)	10,336,895	44,470,643	(14,581,144)			103,662,928
Disposals			(8,758,577)					(8,758,577)
At June 30, 2023	65,000,000	291,817,100	41,146,001	59,619,520	11,012,420	137,880,700	213,596,909	820,072,649
Depreciation								
At July 1, 2022	431,441	143,514,607	21,339,418	9,461,084	15,910,813	0	86,667,595	277,324,958
Impairment Loss / Write-offs	(431,441)				(15,910,813)			(16,342,254)
Charge for The Year	1,625,000	18,537,811	6,922,078	6,269,805	3,303,726		15,866,164	52,524,584
Eliminated on Disposal			(7,881,731)					(7,881,731)
At June 30, 2023	1,625,000	162,052,418.5	20,379,766	15,730,888	3,303,726	-	102,533,760	305,625,558
Net Book Value at June 30, 2023	63,375,000	129,764,681.4	20,766,235	43,888,632	7,708,693	137,880,700	111,063,149	514,447,090

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Valuation

Land and buildings, property, plant and equipment etc were valued by the end of year 2023. The Company engaged Recad Consulting Ltd an independent valuer on asset tagging and valuation during the year 2022-2023 following the previous year's audit challenges. The revalued figures have been incorporated in the amended financial statement for the year ended 30 June 2023 after adoption.

20 (b) Property, Plant and Equipment at Cost

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Project assets – plant and Equipment	213,596,909	102,533,760	111,063,149
Buildings/ leasehold improvements	65,000,000	1,625,000	63,750,000
Plant and machinery	291,817,100	162,105,533	130,136,479
Motor vehicles, including motorcycles	41,146,001	17,795,542	13,013,563
Computers and related equipment	25,593,564	18,815,638	6,777,925
Office equipment, furniture, and fittings	15,148,877	10,172,058	4,976,819
	578,529,021	311,871,650	266,657,371

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

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	-	-
Motor vehicles – KAV 147B and KCB	15,309,960.65	25%
Motor cycles – 12No.	1,014,000.00	25%
Computers and related equipment	15,910,813	30%
Office equipment, furniture and fittings	18,349,423.47	12.5%
Total	50,584,197.12	

Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Intangible Assets

	2022-2023	2021-2022
	Kshs	Kshs
COST		
At July 1	29,370,312	25,042,062
Additions	-	4,328,250
Disposals		-
At June 30 2022	29,370,312	29,370,312
AMORTISATION		
At July 1	15,890,887	10,016,825
Charge for the year	5,874,062	5,874,062
Disposals	-	-
Impairment loss	-	-
At June 30 2023	21,764,950	15,890,887
NET BOOK VALUE		
At June 30 2023	7,605,362	13,479,425

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

22. Investment Property

The Company does not have or maintain any Investment Properties

23. Right-of-use assets

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

24. Fixed Interest Investments (Bonds)

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

25. Quoted Investments

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

Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Deferred Tax Asset

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

	2022-2023	2021-2022
	Kshs	Kshs
Balance at beginning of the year	5,014,071	5,014,071
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	5,014,071	5,014,071

27. Inventories

	2022-2023	2021-2022
	Kshs	Kshs
General stores	37,500	204,106.00
Water Chemicals	8,178,623	3,554,308.00
Water fittings and Accessories	16,246,317	12,486,635.94
Water meters	15,766,505	19,039,539.90
Electrical items	1,993,214	1,631,055.59
Pipes	15,087,326	9,636,644.99
Hardware materials	5,335,322	5,196,280.24
Uniform and protective clothing	1,085,013	1,322,294.42
Stationery and general supplies	4,247,948	3,176,824.21
Finished goods		-
Total	67,977,769	56,247,689.00

- a. The company maintains and consumes the above inventory on a First-In-First-Out (FIFO) basis. Stock taking is done semi-annually to confirm usage and stock balances
- b. General stores items constitute of minor fittings such seals and wires used for disconnection of meters etc.
- c. Water chemicals are for treatment of water to the quality required for consumption
- d. Water meters are the primary source of the company revenue as they are used to measure consumption of water hence generation of revenue

Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

28.) Trade and Other Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Trade receivables (note (28a))	208,528,704	295,039,675
Prepayments and Deposits	11,697,036	7,949,103
VAT recoverable	28,761,122	28,761,122
Staff receivables (note 29 (c))	33,840	5,000
Gross trade and other receivables	249,020,703	331,754,900
Provision for bad and doubtful receivable	-	(24,378,040)
Net trade and other receivables	249,020,703	307,376,861

28 (a) Trade Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Gross trade receivables	208,528,704	295,039,675
Provision for doubtful receivables	-	(24,378,040)
Net trade receivables	208,528,704	270,661,636
at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	88,525,420	71,424,192.54
Between 30 and 60 days	20,852,870	19,381,045.87
Between 61 and 90 days	10,426,435	11,765,386.99
Between 91 and 120 days	4,170,574	10,163,419.54
Over 120 days	84,553,404	182,302,630.57
Total	208,528,704	295,039,675.51

Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2022-2023	2021-2022
	Kshs	Kshs
At the beginning of the year	24,378,040	48,986,667
Additional provisions during the year	-	24,378,040
Recovered during the year		-
Written off during the year	-	(48,986,667)
At the end of the year	24,378,040	24,378,040

28 (c) Staff Receivables

Description	2022-2023	2021-2022
	Kshs	Kshs
Gross staff loans and advances	476,840.00	802,906.57
Provision for impairment loss	(443,000)	(797,906.57)
Net staff loans	33,840	5,000
Less: Amounts due within one year	(33,840)	(5,000)
Amounts due after one year	-	-

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

Reconciliation of Impairment Allowance for Staff Receivables

Description	2022-2023	2021-2022
	Kshs	Kshs
At the beginning of the year	5,000	802,906.57
Additional provisions during the year	471,840	263,200.00
Recovered during the year	(443,000)	(1,061,106.57)
Written off during the year		-
At the end of the year	33,840	5,000

28 (d) Prepayments and Deposits

Description	2022-2023	2021-2022
	Kshs	Kshs
Telephone deposits (Telkom & Safaricom)	57,000	57,000
Electricity deposits (KPLC)	848,859	848,859
Internet services deposit	17,400	17,400
Staff medical & General insurance prepaid	10,773,777	7,025,844
Others		-
Total	11,697,036	7,949,103

Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Tax Recoverable (Value Added Tax)

	2022-2023	2021-2022
	Kshs	Kshs
At beginning of the year	28,761,122	28,761,122
Income tax charge for the year (note 16)	-	-
Under/(over) provision in prior year/s (note 16)	-	-
Income tax paid during the year	-	-
At end of the year	28,761,122	28,761,122

30. Bank and Cash Balances

	2022-2023	2021-2022
	Kshs	Kshs
Cash at bank	20,498,767.20	83,885,409.51
Cash in hand	44,818.00	22,228.00
Mobile money account	892,540.00	387,817.00
	21,436,125.00	84,295,454.51

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
a) Current account			
KCB	1240290837	347,347.68	308,167.30
Co-operative Bank	01136012931300	3,515,836.47	31,851,970.36
Co-operative Bank	01136012931301	2,306,750.34	14,716,921.15
Co-operative Bank	01141012931300	-	-
Equity Bank	0290265172985	9,526,766	12,120,844.98
NCBA Bank – Pamoja Trust	1001789399	450,799.01	448,539.56
NCBA – EU-WOP project	01141012931300	563,379.34	13,360,306.50
Post Bank	0744130005547	535,674.00	114,490.00
National Bank of Kenya	01060246510800	342,396.36	-
National Bank of Kenya	01060246513100	2,909,060.49	-
Sub- total		20,498,009.51	72,921,239.85
b) On – call deposits			
Co-operative Bank	01100012931300	757.69	10,964,169.66
others			-
Sub- total		757.69	10,964,169.66

Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023

		2022-2023	2021-2022
Financial institution	Account number	Kshs	Kshs
c) Fixed deposits account			
Commercial banks & Others		-	-
Sub- total			
d) Others(specify)			
Cash in hand –Petty Cash		44,818.00	22,228.00
Mobile money account		892,540.00	387,817.00
Sub- total		937,358.00	410,045.00
Grand total		21,436,125.00	84,295,454.51

31. Ordinary Share Capital

	2022-2023	2021-2022
	Kshs	Kshs
Authorized:		
5000 ordinary shares of Kshs 20 par value each	100,000	100,000
Issued and fully paid:		
5000 ordinary shares of Kshs 20 par value each	100,000	100,000

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

32. Revaluation Reserve

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

33. Fair Value Adjustment Reserve

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

Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34. Retained Earnings

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

35. Deferred Tax Liability

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

36. Borrowings

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

Description	2022-2023 Kshs	2021-2022 Kshs
a) External Borrowings		
Balance at end of the year	-	-
b) Domestic Borrowings		
Balance at beginning of the year	-	-
Domestic borrowings during the year	110,835,100	-
Repayments during the year	-	-
Balance at end of the year	110,835,100	-
C) Total Balance at end of the period c = a+b	110,835,100	-

The analyses of the domestic borrowing is as follows:

	2022-2023 Kshs	2021-2022 Kshs
Domestic Borrowings		
Kenya Shilling loan from NBK- Mortgage Finance	100,380,018	-
Kenya Shilling loan from NBK- Asset Finance	10,455,082	-
Total balance at end of the year	110,835,100	-

Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Description	2022-2023	2021-2022
	Kshs	Kshs
Short term borrowings (current portion)	10,038,002	-
Long term borrowings	100,797,098	-
Total	110,835,100	-

37. Lease Liability

The Company had no lease liability in the financial year ended 30th June 2022 hence no relevant report

38. Retirement Benefit Obligations

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

39. Trade and Other Payables – Non-current Liabilities

	2022-2023	2021-2022
	Kshs	Kshs
Water Deposits	152,250,778	141,422,854
County Government Contribution	15,743,834	26,660,396
Other payables		-
Total	167,994,612	168,083,250

Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

40. Trade and Other Payables –Current Liabilities

	2022-2023	2021-2022
	Kshs	Kshs
Trade payables	78,437,509	74,720,948
Conservancy fee – County Government of Kisumu	34,802,110	120,213,360
Accrued expenses	21,128,916	32,604,675
Other payables – (Staff contributions)	6,541,881	8,598,904
Lease fees – County Government of Kisumu	-	21,793,650
Lake Victoria South Water Works Development - Outstanding Levy	12,100,538	17,100,538
Total	153,010,955	275,032,075
Ageing analysis:		
Under one year	132,366,234	84,911,127
1-2 years	20,644,721	28,704,009
2-3 years	-	161,416,939
Over 3 years	-	-
Total	153,010,955	275,032,075

41. Analysis of Customer Deposits

	2022-2023	2021-2022
	Kshs	Kshs
Opening Balance	141,422,854.82	128,141,601.33
Add: deposits received during the year	16,502,216.92	19,793,985.38
Less: Refunded deposits during the year	(5,674,294.02)	(6,512,731.89)
Closing balance	152,250,777.72	141,422,854.82
Ageing analysis:		
Under one year	10,827,923	19,793,985
1-2 years	19,793,985	14,681,254
2-3 years	14,681,254	13,654,785
Over 3 years	106,947,616	93,292,830.82
Total	152,250,777.72	141,422,854.82

Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

42. Analysis of County Government Contribution

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

	2022-2023	2021-2022
	Kshs	Kshs
At the beginning of the year	26,660,396	26,660,396
Additional declared during the year	-	-
Amortized during the year	(10,916,562)	-
Balance at end of the year	15,743,834	26,660,396

43. Capital Grants

2022-2023				2022-2023
	Kshs	Kshs	Kshs	Kshs
	At start of year	Additions	Write-back	At end of year
Nyalenda project	673,697		(84,212.17)	589,485
Lake Victoria South Water Works Development	86,880		(10,859.95)	76,020
Water Service Trust Fund & Others	29,736,688	16,069,892	(5,725,822.54)	40,080,758
Other Grants	53,495,790		(6,686,973.70)	46,808,816
Sub Total	83,993,055	16,069,892	(12,507,868.36)	87,555,079
EU-WOP (Transferred to Grant Income)	13,360,281		(13,360,281)	-
Total	97,353,336		(25,868,149)	87,555,079

2021-2022				2021-2022
	Kshs	Kshs	Kshs	Kshs
	At start of year	Additions	Write-back	At end of year
Nyalenda project	769,940		(96,242.48)	673,69
Lake Victoria South Water Works Development	99,291		(12,411.37)	86,88
Water Service Trust Fund & Others	33,984,787		(4,248,098.35)	29,736,68
Other Grants - OBA	61,138,045		(7,642,255.66)	53,495,79
EU-WOP		13,360,281		13,360,28

Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

44. Taxation Payable

	2022-2023	2021-2022
	Kshs	Kshs
At beginning of the year	9,274,075	9,274,075
Income tax charge for the year	-	-
Under/(over) provision in prior year/s	-	-
LESS -Income tax paid during the year	-	-
At end of the year	9,274,075	9,274,075

45. Provisions

Description	Leave Provision	Gratuity provisions	Other Provisions	Total
	Kshs	Kshs	Kshs	Kshs
Balance at the beginning of the year	-	-	-	8,718,694.72
Additional Provisions	-	3,724,512.00	-	3,844,880.04
Provision utilised/ Paid	-	(3,507,250.00)	-	(12,563,574.76)
Change due to discount and time value for money	-	-	-	-
Balance at the end of the year	-	217,262.00	-	-

Provisions details

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Portion of Provisions	217,262.00	8,718,694.72
Long-term portion of Provisions	-	-
Total	217,262.00	8,718,694.72

Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. 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		
Profit or loss before tax	(4,504,476)	90,456,704
Depreciation	52,524,585	38,705,228
Amortisation	5,874,062	5,874,062
(Gain)/loss on disposal of property, plant and equipment	(3,405,985)	-
Interest Expense	-	
Grants Write-back	(12,507,868)	(11,999,008)
Operating profit/(loss) before working capital changes	41,386,985	123,036,986
(Increase)/decrease in inventories	(11,730,079)	(12,437,102)
(Increase)/decrease in trade and other receivables	58,108,495	(50,946,668)
Increase/(decrease) in trade and other payables	(122,021,120)	29,625,508
Increase/(decrease) in retirement benefit obligations	217,262	(8,718,695)
Increase/(decrease) in provision for staff leave pay	2,999	1,779,724
Cash generated from/(used in) operations	(37,200,460)	82,339,754
(b) Analysis of changes in loans		
Balance at beginning of the year	-	-
Receipts during the year	110,835,100	-
Repayments during the year	-	-
Repayments of previous year's accrued interest	-	-
Accrued interest	-	-
Balance at end of the year	110,835,100	-
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	937,358.00	410,045.00
Cash in hand	20,498,767.20	83,885,409.51
Balance at end of the year	21,436,125.00	84,295,454.51
(d) Analysis of interest paid		
Interest on loans	5,004,937	-
Interest on bank overdraft		-
Interest on lease liabilities	-	-

Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023

	2022-2023	2021-2022
	Kshs	Kshs
Interest on loans capitalized	-	-
Balance at beginning of the year	-	-
Balance at end of the year (note 35(b))	-	-
Interest paid	-	-
(e) Analysis of dividend paid		
Balance at beginning of the year	-	-
2021 interim dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-

Other Disclosures

47. Related Party Disclosures

County Government of Kisumu

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

Other related parties include:

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

Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Transactions with related parties

	2022-2023	2021-2022
	Kshs	Kshs
a) Sales to related parties		
Water sales to Govt. agencies – County Government of Kisumu	74,038,900	74,777,867
Others (Specify)	-	-
Total	74,038,900	74,777,867
b) Purchases from related parties		
Rent expenses paid to Government agencies (NCPB)	2,972,008	2,854,198
Training and conference fees paid to Government agencies	-	-
Others (specify)	-	-
Total	2,972,008	2,854,198
b) Grants from the Government		
Grants from National Government agencies (WSTF)	16,069,892	116,339,218
Grants from County Government	-	-
Donations in kind	-	-
Total	16,069,892	116,339,218
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	-
Payments for goods and services for conservancy services (CGK)	35,957,910	31,992,380
Total	35,957,910	31,992,380
d) Key management compensation		
Directors' emoluments	10,081,425	12,695,134
Compensation to key management	42,826,717	40,282,677
Total	52,908,142	52,977,811

48. Capital Commitments

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

Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

49. Contingent Assets and Liabilities

Contingent Assets

	2022-2023	2021-2022
	Kshs	Kshs
Contingent assets		
Insurance reimbursements	-	4,282,832
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Receivables from other government entities	-	-
Total	-	4,282,832

Contingent Liabilities

	2022-2023	2021-2022
	Kshs	Kshs
Contingent liabilities		
Court case xxx against the entity	-	-
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs	-	-
Total	-	-

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

50. Financial Risk Management

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

Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i. Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2023				
Trade Receivables	208,528,704	208,528,704	-	-
Other Receivables	40,491,998	11,730,877	28,761,122	-
Investments	-	-	-	-
Bank balances	21,436,125	21,436,125		
Total	270,456,828	241,695,706	28,761,122	-

At 30 June 2022 (previous Year)				
Receivables	270,661,636	270,661,636	-	24,378,040
Other Receivables	36,715,225	7,949,103	28,766,122	-
Investments	-	-	-	-
Bank balances	84,295,455	84,295,455	-	-
Total	391,672,316	362,906,194	28,766,122	24,378,040

**Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Credit Risk (Continued)

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

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

ii) Liquidity risk management

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

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

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2023 current year				
Trade payables	40,552,224.10	29,653,844.35	8,749,662.50	78,955,730.95
Current portion of borrowings	-	-	10,038,002	10,038,002
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	40,552,224.10	29,653,844.35	18,787,664.50	88,993,732.95
At 30 June 2022 previous year				
Trade payables	43,256,710.77	15,709,483.25	15,754,753.96	74,720,948
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	43,256,710.77	15,709,483.25	15,754,753.96	74,720,948.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii) Market risk

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

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

iv) Foreign currency risk

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

v) Interest rate risk

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

a) Management of interest rate risk

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

b) Sensitivity analysis

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

vi) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

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

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

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

Financial instruments not measured at fair value

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

vii) Capital Risk Management

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

Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserve	1,176,114.00	1,176,114.00
Retained earnings	217,961,831	219,840,216
Capital reserve	100,000	100,000
Total funds	219,237,946	221,116,330
Total borrowings		-
Less: cash and bank balances	(21,258,194)	(84,295,455)
Net debt/(excess cash and cash equivalents)	(21,258,194)	(84,295,455)
Gearing	-%	-%

51. Incorporation

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

52. Events After the Reporting Period

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

53. Currency

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

Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023

XIX. Appendices

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Inaccuracies in the Financial Statements	No difference in figures as observed the auditors	Resolved	N/A
2	Non-recognition of tax liability from operations	Taxes are paid on the basis of operational profits and not losses	Resolved	N/A
3	Unsupported Write-offs of Bad Debts	Letter from CECM- Finance & Economic Planning	Not Resolved	December 2023
4	Unsupported Customer Deposits	Customer deposits listing including additions and refunds during the year provide	Resolved	N/A
5	Trade and other Receivables – VAT Recoverable	We have changed and engaged a different Tax Consultant i.e. Wanjau Ndonga & Associates to follow up this debt with KRA. Correspondences made.	In Progress	June 2024
6	Unsupported County Government Contribution	Letters from then CEC-Finance & Economic planning supported by Minutes of reconciliation provided	Resolved	N/A
7	Inaccuracies in Outstanding Levies	Schedules of payment plus payment vouchers provided.	In progress	December 2023

Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023

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)
	Due to Lake Victoria Water Works Development Agency	Following up on reconciliation with LVWWDA		
8	Unaccounted for Lease Fees	Lease fees to the County Government was noted to be contravening section 131(2) of the Water Act 2016 hence stopped by the regulator (WASREB)	Resolved	N/A
9	Inaccuracies in Property, Plant & Equipment	An updated detailed asset register provided, revaluation ongoing	Resolved	June 2023
10	Non-Revenue Water Management	Strategies developed to manage the losses	Ongoing task	Ongoing
11	Lack of quarterly reports on items procured through framework agreement	Monthly reports prepared and presented to MD and audit. The Company uses "Open Tender" and not framework agreements with suppliers	Resolved	N/A
12	Non-compliance with Affirmative action on Gender, Ethnicity and Regional Distribution	Company made progressive	Resolved	N/A
13	Gulf Water Company Limited and Nyanas Water Company Limited	Reports prepared signed and submitted to the Office of Auditor General for audit	Resolved	December 2023

Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023

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

Signature:



Thomas Odongo

Managing Director:

Date.....

28/09/2023

Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023

Appendix II: Projects Implemented By the Company
Projects

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

Status of Projects completion

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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Office Building (HQ)	137,840,700	137,840,700	90%	154,000,000	137,840,700	NBK Loan
2	Office Building Fencing	2,545,707.50	2,545,707.50	85%	3,000,000.00	2,545,707.50	Internal
3	Kisat Fencing	3,933,548.75	3,933,548.75	100%	4,500,000.00	3,933,548.75	Internal

Kisumu Water and Sanitation Company Ltd.
Annual Reports and Financial Statements
For the year ended June 30, 2023

Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/ Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Comprehensive income	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
Water Sector Trust Fund	14/07/2022	Development	16,069,892	-	16,069,892	-	-	-	16,069,892
Ministry/County Department of water.	-	-	-	-	-	-	-	-	-
USAID	-	Donor Fund	-	-	-	-	-	-	-
European Union- Water Operators Partnership (EU-WOP)	-	Recurrent	13,360,281	13,360,281	-	-	-	-	13,360,281
Total			16,069,892	13,360,281	-	-	-	-	29,430,173