



OTHAYA-MUKURWEINI WATER AND SANITATION PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2024**



**PREPARED IN ACCORDANCE WITH THE ACCRUAL BASIS OF ACCOUNTING METHOD UNDER THE
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

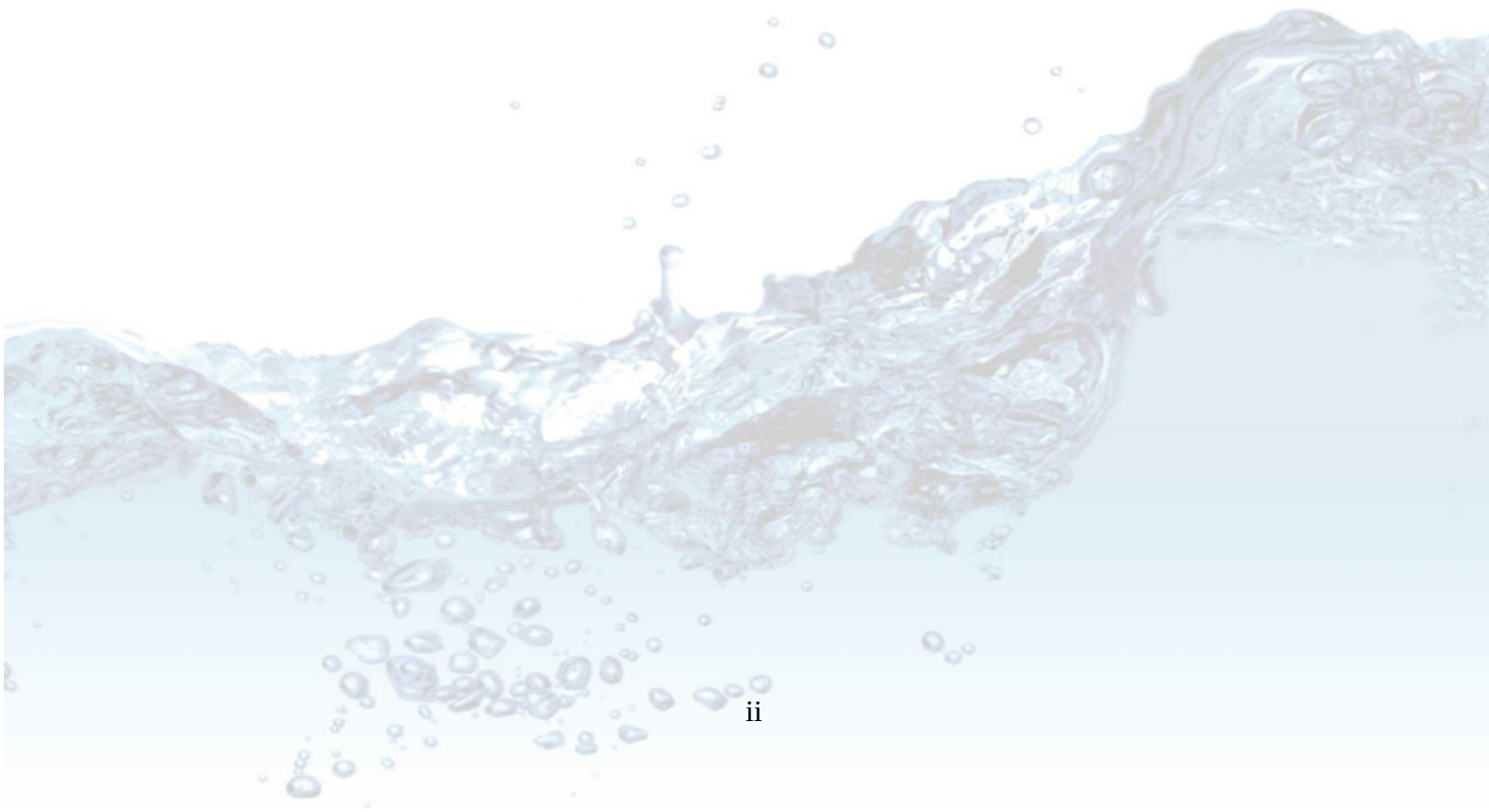


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1. Acronyms and Glossary of Terms

Provide Acronyms and glossary of terms that appear in this annual report and financial statements.

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
WASREB	Water Services Regulatory Board
WSTF	Water Sector Trust Fund
CGN	County Government of Nyeri



2. Key Entity Information

Background information

Othaya-Mukurweini Water and Sanitation PLC was incorporated in Kenya under the Companies Act, 2015 (formerly Cap 486) as a company limited by guarantee on 29th May 2006 and started operations on 7th July 2006. In response to the revised Water Act 2016, the Company has amended its Memorandum and Articles of Association in compliance with the law as an agent of the County Government of Nyeri. At Board level, the Company has two directors nominated by the County Government of Nyeri. During 2024 FY the company transitioned officially to County owned by shares which makes OMWASCO fully owned by the County Government of Nyeri.

The Board of Directors is responsible for the general policy and strategic direction of the Company and provides oversight on management. The Company is domiciled in Kenya and operates in Nyeri South and Mukurweini sub counties.

Principal Activities

The principal activity of the company is to provide water services to residents of Mukurwe-ini and Nyeri South Sub-Counties.

Vision

A water service provider of choice.

Mission

To be a provider of accessible, adequate, affordable and quality water services while conserving the environment.

Core Values

OMWASCO is firmly committed to the following core values:

1. Customer focus
2. Corporate responsibility
3. Environmental conservation.
4. Integrity transparency and accountability
5. Team work
6. Networking
7. Response to technology
8. Innovation and creativity

Directors

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

- | | | |
|-------------------------|-------------------|---|
| 1. Mr. Moses N N Munyi | Managing Director | Appointed on 01/09/2019 |
| 2. Eng. Benjamin Maingi | Board Chairman | Elected on June 29/06/2023 |
| 3. Ms. Grace G Iregi | Director | Elected on 26/06/2019 |
| 4. Ms Rachel Muchunu | Director | Elected on 26/05/2017 |
| 5. Mr. Charles Maina | Director | Elected on 29/06/2023 |
| 6. Mr. John W Nyaga | Director | Elected on 27/07/2021 |
| 7. Mr. Peter Gachoka | Director | Elected on 29/06/2023 |
| 8. Mr. Anthony Githae | Director | Elected on 27/06/2022 |
| 9. Mr. Bernard Kiama | Director | Elected by the County Government of Nyeri |
| 10. Mr. Kimani Rucuiya | Director | Elected by the County Government of Nyeri |

Company Secretary

Gikuhi Kiana & Company.
P.O. Box 1271 – 10100
Nyeri

Registered Office

OMWASCO Building,
Off Kanyange Road
P. O. Box 482-10106
Othaya-Kenya.

Corporate Contacts

Telephone: (254) 702145585
E-mail: omwasco@gmail.Com
Website: www.omwasco.co.ke

Corporate Bankers

Kenya Commercial Bank Ltd.
P. O. Box 201-10106
Othaya Kenya

2. Equity Bank

P.O. Box 436-10106
Othaya-Kenya.

3. Co-operative Bank

P. O. BOX 256-10106
Othaya-Kenya

Independent Auditor

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

Principal Legal Advisers

The Attorney General
State Law Office, Harambee Avenue
P.O. Box 40112, City Square 00200
Nairobi, Kenya

3. The Board of Directors

Directors	Details
 <i>Eng Benjamin Maingi</i>	He has been a member of the technical Committee. He was appointed to be the board chair for the company effective July 2023. The director has many years' experience in infrastructure projects, and management in both the public and private sector. He holds a BSC Degree in civil engineering, MSC Highways and is a member of Engineers board of Kenya as well as Institute of Directors of Kenya. He has vast experience in governance having risen to the position of General Manager, together with directorships held at various public institutions.
 Moses N N Munyi	Moses N.N. Munyi is the Managing Director and secretary to the Board. He holds a Bsc. Degree in Biosystems Engineering (Water Resources) from University of Nairobi. He is also a Graduate Engineer Registered with Engineers Board of Kenya and has over twelve years' experience in the Water Sector with over six years in senior Management position.
 <i>FCS Richard K. Gikuhi</i>	He is a Certified Secretary and a Fellow of the Institute of Certified Secretaries of Kenya. He is an Accredited Governance Auditor, holds a Master of Business Administration Degree with a major in Strategic Management from Moi University and an Advanced Practical Course in Management of Urban Development from Birmingham University. He is currently the Managing Partner at Gikuhi Kiana & Company, Certified Secretaries. For over 25 years he has worked with various Water and Sanitation Companies as a Company Secretary and advises in the area of Corporate Governance. His stint at the European Union contributes to his knowledge in Project Management and Capacity building.



Anthony Githae,,

The director was appointed in 2022. He holds CPA qualifications, B.Com finance degree and is currently pursuing MBA program.

He has been a board member for various institutions in Mahiga in addition to working in various not- for profit projects. He is a finance expert working with PCEA Church.



Kimani Rucuiya

The director has been seconded by the County government of Nyeri as a Director in Omwasco.

He is a lawyer by profession and an advocate of the high court service as the county attorney for the Nyeri County Government.

He has been instrumental in formulation and implementation of various policy papers and policy decisions, Acts and regulations, as county legal counsel and county attorney while holding various briefs.



Benard Kariuki,

He is the Director seconded from the County Government of Nyeri, to represent the County Government of Nyeri. He holds MSc Analytical and Environmental chemistry JKUAT and BED Chemistry and Biology (CUEA)

He has a vast experience in management



Grace Iregi,

She is an administrator working with CDF Mukurweini. She brings to the company experience in Project Audit and Community engagement and project monitoring and supervision.



Peter Gachoka

The director joined the company as a director in 2023 during the AGM. He has vast experience in business and consultancy gained from years of practice. He holds an MBA(Strategic Management) from University of Nairobi and B-com (Finance) option. He also holds multiple qualifications including Higher National Diploma in Human Resource Management, Certificate in Counselling (CHRM), Higher Diploma in institute of Management of Information System (IMIS).



Nyaga Wanjau,

The director has vast experience in business management from working in various companies. He holds a BSC Degree in civil engineering and is a member of Engineers board of Kenya.



Charles Maina,

He joined the company during the 2023 AGM. The director holds CPA qualifications, BSC in purchasing and supply.

He has experience in management having held position of directorships, consultancy and business management in different institutions.



Rachel Muchunu,

She is a businessperson holding a leadership position in Nyeri south sub-county. She is an astute businessperson holding various investments in the county.



4. Key Management Team

Managers	Details
 Moses N N Munyi.	Moses N.N. Munyi is the Managing Director and secretary to the Board. He holds a Bsc. Degree in Biosystems Engineering (Water Resources) from University of Nairobi. He is also a Graduate Engineer Registered with Engineers Board of Kenya and has over twelve years' experience in the Water Sector with over seven years in senior Management position.
 FCS Richard Gikuhi	He is the company secretary and a Certified Secretary and a Fellow of the Institute of Certified Secretaries of Kenya. He is an Accredited Governance Auditor, holds a Master of Business Administration Degree with a major in Strategic Management from Moi University and an Advanced Practical Course in Management of Urban Development from Birmingham University. He has over 25 years' experience working with various WSPs as a Company Secretary giving advisory roles in the area of Corporate Governance. He is knowledgeable in Project Management and Capacity building.
 CPA Peter Ndirangu	Commercial Manager He is the manager responsible for commercial services at the company, financial reporting and budget reporting and control at the company. He is a registered with ICPAK, and holds Bachelor's degree in commerce from KCA University

 Mary W Kibandi	Human Resources and Administration Manager The officer is responsible for the company Human resource including, employee's life cycle from recruitment to exit and also in charge of administration function of the organisation. She holds a Business Administration Degree HR option.
 Duncan Nderi	Technical Manager The officer is responsible for production, provision and management of water and distribution systems for Othaya. He is a holder of BSC in Project planning, diploma water engineering. He left the company in February 2024.
 Mary N Munene	Internal Audit Manager Manager responsible for Risk management, ensuring effectiveness of internal control systems in the company and monitoring of compliance to laws and regulations. She is registered with ICPAK and holds a bachelor's degree in commerce from Kenyatta University.

5. Chairman's Statement

Introduction

Am delighted to provide a statement of our Continued responsibility to the people on behalf of the Board of Directors and indeed the entire institution.

Partnerships With County and National Government Institutions: As informed by our Strategic Plan 2022-27, we still continue to partner with external institutions towards ensuring that we keep improving in the area of water and Sanitation Coverage. The following partnerships were enhanced in the year 2023-24:

1. Continuous improvement and expansion of the conventional sewer system in Othaya town through the last mile sewer connectivity-Tana Water Works Development Agency (TWWDA) supported.
2. Improvement of the water supply network in Mukurweini-County Government of Nyeri and TWWDA supported.
3. Relocation of pipeline infrastructure in Githagara area of Chinga-TWWDA/Kenya Rural Roads Agency(KeRRA)supported
4. Design of a conventional sewer system for Mukurweini Town-TWWDA supported.
5. Improvement of Kaharo Treatment Works (Mwai-Kibaki Treatment Works) in Mahiga-Othaya
6. Improvement of water and reticulation network in parts of Othaya & Mukurweini towns under Water Sector Trust Fund Support under the World Bank's Conditional Liquidity Support Grant phase two(CLSG-II).

We are very optimistic that in the coming year 2024-2025, the indicated projects will be completed with expected benefits to the local residents.

Conducting Our Business Responsibly: The company prides itself with the history of conducting its business responsibly and being sensitive to the surrounding environment as well as promoting quality of life for our people.

Within this financial year, the company partnered with Mukurweini Boys' and Karima Boys' High Schools within our area of supply to support the very needy and bright students in paying the schools fees. These schools are part of our high water consumers and pay for their water charges on time. The company also paid school fees for another needy student from Mukurweini who was admitted to Ngara Girls but lost her sponsor/parent just before her admission.

We have also maintained flexible water payment plans for the very needy persons and less privileged members of the community who make the request to us complete with the necessary justifications.

The company continued with the tree growing initiative as required of us by the Government of Kenya. In the year, we participated in a tree planting exercise organised by Nyeri Water and Sanitation Company at their Kiganjo sewer plant compound.

We planted 4,600 trees of various species within the Aberdare forest in both October 2023 and April of 2024. We also partnered with Equity bank to plant over 10,000 trees within the various schools in our area of supply in the month of April 2024. We are following up in partnership with Kenya Forest Service to ensure that the trees also grow to maturity. The partnership with the schools was geared towards solidifying our partnerships with various learning institutions. Schools form the basis of our major customer base.

In the same area of conservation, we were challenged by the County Assembly of Nyeri to improve our visibility in matters of environmental conservation. Towards this, the Board increased the budget allocation in the financial year 2024-2025 for conservation matters.

There are proposals in the Strategic plan to partner with the National and County Government towards sustainable rehabilitation of Chinga Dam which has been receding and urgently requires protection.

Stakeholder Engagement and Good Governance Practises: As per the requirements of Water Act 2016(section 77), the company made a major leap by converting from a company limited by guarantee to a public limited company fully owned by the County Government of Nyeri.

The Conversion saw the formation and registration of a completely new company by the County Government of Nyeri called Othaya-Mukurweini Water And Sanitation Public Limited Company (OMWASCO PLC) to take over the operations of the current Othaya Mukurweini Water Services company limited.

The aspects of Sanitation services are also well captured, which was lacking in the previous name.

With a better County Government involvement through this change, we hope to enhance our presence and acceptability as a County Government agent and even give better and or enhanced services.

Tariff Review Process: The company has been without a current tariff for some time. This year under review, we did our best to engage all the company stakeholders towards the process of tariff review. In the month of May 2024, we had a successful public participation event on the tariff and all views expressed by members of the public were collated and forwarded to the regulator WASREB for consideration for review of the tariff.

At the close of the year, WASREB was yet to respond and give a way forward on the same.

In Conclusion: The company continues to build and leverage on the strengths acquired over the years to improve on service delivery and to ensure every corner of our area of supply is served well.

I thank you all.



Eng. Benjamin K. Maingi

BOARD CHAIRMAN

6. Report of the Managing Director

INTRODUCTION

To all our stakeholders, consumers and members of the public in general, the below issues form part of the main activities we carried out by the close of the year 2024

OPERATIONS

On company performance, the following is the comparative performance of the company on a number of key areas:

Customer growth:

item	2023	2024	Change in growth
Sewer connections	1,031	1083	52
Water connections	34,493	35,201	708
Total registered connections	35,524	36,284	760

There continues to be growth in sewer accounts in Othaya Town as the National Government through Tana Water Works Development Agency continues to enhance sewer connectivity through the last mile sewer connectivity project.

Revenue growth

Under the financial year 2023-2024, the total turnover was **Ksh 192,398,923**, Compared to **Ksh 187,292,375**, in the previous period. This represented a two per cent growth in gross income.

DEVELOPMENT

Water and Sanitation initiatives

As indicated in the Chairman's report, there are many initiatives and partnerships with various National and County Government Actors aimed at either increasing coverage or rehabilitating the network to improve system efficiency.

We also completed a sludge drying bed at Karega Sewerage works and had the works commissioned by the President of the Republic of Kenya in August of 2023.

Partnerships

We enhanced our partnerships with the Water Services Trust Fund and hope to commence the Conditional Liquidity Support Grant phase II in the next financial year. This is a program supported by the World Bank through the National Government.

We also defended and got shortlisted for consideration for support by the same National Government Agency on a program meant to improve our financial flows and ability to acquire commercial loans. We hope the same will materialize in the coming financial year.

CHALLENGES

None Revenue Water

The company still has as its main challenge the problem of Water losses commonly referred to as Non-Revenue Water.

The main driver of NRW is:

- 1) Physical losses-leaks and bursts and
- 2) Commercial losses-The old, dormant meters and illegal water theft

In the year, we recruited a Non-Revenue Water Officer at level three of Management as well as an Operation and Maintenance Officer under the same level to improve on leak and burst attendance as well as accelerate Non-Revenue water reduction efforts. The two officers reported in the last quarter of the year and their value will be felt in the coming financial year.

Risks

The company also was affected by one mudslide in Kabebero and other minor ones in Ruruguti area. Given that this has become a big concern for us, we have asked for professional advice from Tana Water Works Development Agency on what is needed to minimize the occurrence of these mudslides especially in Kihuri-Ruruguti ridge in Iriani-Othaya area.

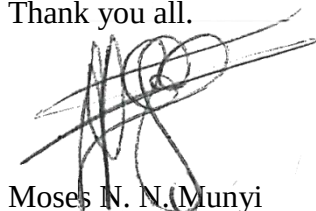
CONCLUSION

I wish to thank the National Government for their support especially through Tana Water Works Development Agency, Water Services Trust Fund and Water Resources Authority for their support and also thank County Government of Nyeri headed by H.E. Governor Mutahi Kahiga for providing conducive and enabling environment to serve our clients as well as by supporting us heavily in last mile initiatives to extend water coverage specifically in the following areas Mukurweini Central, Migombeini in Mukurweini West and Kaharo area in Gikondi ward respectively.

I also wish to thank the entire stakeholder body for their unrelenting support that has ensured that the company maintains smooth operations.

Finally, I wish to appreciate the staff for their continuous effort in ensuring that on a day to day basis, all our customers are able to get water services.

Thank you all.



Moses N. N. Munyi
Managing Director

7. Statement of Performance against Predetermined Objectives for FY 2023/24

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.

OMWASCO has 6 strategic pillars and objectives within its Strategic Plan for the FY 2022- 2027 addressing the company core functions. These strategic pillars are as follows:

- 1. Infrastructure Development**
- 2. Customer Experience**
- 3. Financial and Resource Mobilization**
- 4. Capacity Building**
- 5. Risk Management**
- 6. ICT and Digitization**

OMWASCO develops its annual work plans based on the above 6 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the FY 2023/2024 period for its six strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Infrastructure Development	- To optimize water production to meet present and future demands - To replace, rehabilitate and upgrade old infrastructure in Water. - To increase sewerage treatment capacity to cover all areas within our jurisdiction - To comply with recommended quality standards - To reduce the current non-revenue water to comply with license conditions	Maintain average water supply hours to covered zones to at least 20 hours per day throughout the year.	Treat and distribute water at Othaya and Mukurweini	Water supply was maintained in the company for over 23 hours in the year.
Pillar2: Customer Experience	- To enhance the customer satisfaction - To foster OMWASCO brand visibility - To achieve efficient billing - To foster customer experience	- Increase active connection from 20,364 active connections to 22,000 connections by 30th June 2021 - Gross billed revenue to be an average of Kshs 14.7m by 30th June 2020	Connect 1,600 new customers to the company	Active connections increased to 21,915 caused by 1,250 new connections installed in the year, making active connections as at the close of the financial year. Consolidated average revenue from water & sewer is Average Billed revenue for the period settled at 15.4 up from 14.8M registered in the previous year.

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar3: Financial and Resource Mobilization	● To mobilize external resources to fund OMWASCO's development needs. ● Enhancement of internal resource mobilisation ● Asset management ● Standardise Cash Conversion Cycle ● To align departmental plans and budgets to the strategic plan ● To achieve budget Compliance ● To achieve compliance with statutory regulations	● The projected income and expenditure statement based on the principal assumptions above indicates an income of Kshs.190,559,878 against an expenditure of Kshs.190,827,880 ● The billing for water will improve to an average of Kshs.2.2 million on a monthly basis and the company will strive to collect old debts by 95% efficiency.	● Bill all active connections ● Identify illegal connections and surcharge ● Meter high consumer flat rates ● Maintain revenue collection efficiency of 95% ● Disconnect all unpaid accounts on time ● Reconnect all paid up accounts on time ● enter into part payment agreements	● During the year 22,000 accounts were billed on average monthly basis ● The company collected a consolidated income of Kshs185,660,245 besides the grants and reimbursement for pipeline rerouting Kshs 8,686,872 and Kshs5,493,682 grants. ● Monthly collections at the company add up to 101% collection efficiency. ● 298 commitments valued at over 3.8m were made out of which Kshs2.1M was serviced in the period

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar4:Capacity Building	• To achieve optimum staffing levels • To undertake relevant training of members of staff • Align company policies with laws and regulations. • Performance management	• Technology deployment and usage - implement technical solutions to enhance work quality and efficiency, and project the image of a high-tech workforce. • Human resources development - harness and maintain an efficient and committed workforce. • Adopting and maintaining a customer-oriented approach in the service delivery. • Prepare a staffing plan and adequately staff the company to comply with regulatory requirements. • Review and implement tariff • Continually review the existing strategies in line with the company, county and national goals.	• Install ERP at the company • Recruit substantive holders to management positions • Submit tariff proposal and negotiate new tariff • Revise HRAM manual, undertake strategic plan midterm review and Debt management proposal.	• The company has a functional ERP system having Finance, Billing, Procurement, Human resources and CRM modules • The company through the HR department has been proactive in effective management of the resource by undertaking training for capacity building, compliance with OSH Act and culture change. • The management tabled for Board approval revised ICT manual, Procurement and disposal manual, NRW manual and Pro-poor manual

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 5: Risk Management	To develop and institutionalise a risk management framework and effective internal controls			The company has developed a risk policy, risk register and risk champions in a bid to manage company risks.
Pillar 6: ICT and Digitization	Optimize the ICT Systems to effect process redesign and business reengineering			Company procured an ERP having 6 modules in a bid to digitise operations. The company is also in the process of adopting GIS systems to digitise land parcels.

8. Corporate Governance Statement

OMWASCO is committed to operating under a clear governance framework and strongly adheres to sound management and control practices. During the year the company established a meeting calendar to enable the board to exercise the governance functions. OMWASCO is committed to ensuring compliance with the provisions of the water Act 2016, the Licence conditions and other regulatory and supervisory corporate governance requirements. During the year, the application for licence was completed but it is pending issuance of the document by WASREB.

In the year, the company applied for the Regular Tariff Adjustment and the process has been completed awaiting Gazettement by WASREB.

In line with the corporate governance guideline requirements, during the financial year 2023-24 the board held nine meetings and board attendance was as follows;

DIRECTOR NAME	NO SCHEDULED OF BOARD MEETING	MEETING ATTENDED
Mr. Moses N N Munyi- Managing Director	9	9
Eng. Benjamin Maingi- Board Chairman	9	8
Ms. Grace Iregi	9	9
Ms Rachel Muchunu	9	9
Mr. Charles Maina	9	9
Mr. Peter Gachoka	9	9
Mr. Wanjau Nyagah	9	9
MR. Kimani Rucuiya	9	7
Mr. Bernard Kiama	9	6
Mr. Anthony Githae	9	8

During the year, the board carried out the annual self-evaluation.

Strategic Planning: To effectively plan and execute a seamless implementation of the board mandate, the board in the financial year implemented a number of measures including; Change of company name in compliance with the law, Review of ICT Policy, Human Resource Policy, Draft Transport Policy, Draft Risk Management Framework, NRW Reduction Plan, Procurement Plan.

Company performance: To enhance continued performance by the company, the board shall ensure that:

- The company adheres to minimum service level guarantee in the Service Provision Agreement and produces quarterly reports on those indicators
- The company operates within the guidelines and has issued a performance guarantee as advised by WASREB to ensure that the specified risks are covered.
- The company issues a performance evaluation report to its shareholders and stakeholders at the end of year.

OMWASCO has continued to implement corporate governance guidelines. Governance is implemented through three board committees that meet on a quarterly basis to deliberate and give guidance on the effective implementation of the company vision, mission and goals.

During the financial year the board of the company scheduled 7 meetings to deliberate and make resolutions on general business of the board. The board had additional two meetings on a need arise basis to discuss, resolve and implement key agendas that would not have been implemented in the ordinary business of the company.

Succession planning; During the financial year the board in exercise of its mandate recognizes the role of a stable company in the achievement of the strategic goals of the company.

To effectively plan and execute a seamless implementation of the board mandate, two members of the board retired by rotation and the company substantively filled the positions during the AGM held on June 29, 2023 after adhering to the due process. The review was sanctioned by the stakeholders at an Annual General Meeting.

The company has an existing board charter, which defines the roles of the board. The board undertakes an annual self-evaluation of the board performance in line with the Charter and realigns itself to live in tandem with the Charter. During the year the company undertook a board evaluation in line with the charter.

The company memorandum and articles of association have defined the process of appointment and removal of directors. The MOA and AOA recognizes the role of stakeholders in effective appointment and retirement of directors. As a policy the company recognizes the need for gender balance in appointment of board. During the year then ended the company advertised to fill the position of the board of directors where women and persons with disability are normally encouraged to apply. Two Directors retired by rotation and they were not eligible for re-election.

Roles and functions of the board,

The Board has ensured that proper management structures that maintain integrity, reputation and responsibility are in place.

The key board mandate is;

- a) To maintain the assets in serviceable conditions according to good utility practice.
- b) To implement appropriate Asset Management Techniques
- c) To develop an Asset Management Plan and Procedures
- d) To manage the assets in an economical, efficient and sustainable manner.
- e) To foresee any improvements and demands of water services within the area.
- f) To connect, disconnect and reconnect and charge for water services to the consumers

In this regard we are committed to best practice and continuously seek to promote best corporate governance practice.

Induction and training, board and member performance, the company board is inducted on the various matters of importance with the board. During the year the board was taken through corporate governance that covered the following topics; corporate governance, role of the board and management, financial reporting, procurement, CBA negotiations. In the year, the board conducted a tour to the company's facilities.

Conflict of interest; the board of directors is cognizant of the requirement to be free from any interest and where there is real or perceived interest, the board members are obligated to declare the interest. The board has opened a register of interest to record any member interest at the agenda tabled in committee and board meetings. During the financial year ended June 30, 2024 there was no interest admitted at any sitting of the committee or the board.

Board remuneration, the company operates in a regulated sector. The cost attributed to the board is capped at the lower of 2% of the turnover and Kshs 7 million per annum as per clause 3.4.6 of the Corporate Governance Guidelines for the Water Services Sector issued in 2018. During the year costs associated with the board amount to Kshs 7.9M which is within the approved costs. The board will continue to ensure that all costs are maintained within the approved provisions.

Ethics and conduct; The Board has identified internal and external stakeholders on which they agree in policy on how to relate to them especially relation to appointing the Directors and monitoring the performance of the company. On an annual basis the company has embraced signing of code of ethics by the board and staff of the company as a way to increase the company performance.

Governance audit; The company on an annual basis submits its data to the regulator for audit of compliance with the requirements of the governance structure. The report is usually considered and actioned in subsequent annual periods to close the gaps in governance. The company scored 85% in the previous assessment carried out by WASREB.

9. Management Discussion and Analysis

Operational and Financial Performance

The company has over the five years experienced an increase in gross revenue over the years. The increase has been growing annually at 7% on average for the past five year period. There is a noted increase in cost during the period averaging at 12% pushed mainly by changing market dynamics. The company has in the period applied for tariff review in a bid to cushion itself from the economic changes of which the application process is complete but currently awaiting response from WASREB. The table below shows the changes in revenue and expenditure over a five year period.

NOTE	2019/2020 FY	2020/2021 FY	2021/2022 FY	2022/2023 FY	2023/2024 FY
Operating Income	148,725,142	155,946,378	175,281,895	187,292,375	192,398,923
Interest incomes	1,357,757	2,867,007	2,688,289	4,817,306	4,249,248
Grants	-	-	34,637,271	5,493,682	248,776
Operating Expenditure	137,933,222	158,301,093	181,631,435	246,540,395	240,165,175
Taxation	2,257,895	860,102	948,797	1,445,192	1,274,775
Surplus (deficit)	9,891,781	(347,810)	(4,610,048)	(70,015,694)	(44,543,002)

• Customer Growth

The company operates within Nyeri south and Mukurweini sub counties offering water and sanitation services in the area. The demand for the resources at the company has been consistent in the period as indicated through the consistent increase in connections over the five-year period as per the table below. The company during the year graduated from large to the very large category as per WASREB guidelines based upon the number of customer connections per table below.

DETAILS	2019/20	2020/21	2021/22	2022/23	2023/24
Total number of registered water connections	32,019	33,225	34,294	35,528	36,284
Total number of active connections	18,930	19,274	20,551	21,763	22,375
Total number of inactive connections	13,089	13,361	13,743	13,765	13,909
Total active metered connections	16,936	17,920	19,570	21,298	22,225
Total active un-metered connections/flat rate	1,994	1,354	981	463	150

Key Projects or Investments

During the year the company invested in the following major projects as part of the sustaining strategies on the company operations.

S/ NO	PROJECT	DESCRIPTION	VALUE (Kshs)
1.	Tools	Pipe Wrench Various Sizes Smart Phone Folk Jembe RAKE	1,478,025
2.	Master Meters	80mm Master meter (3") 40mm (1 1/2") Master Meter 25MM (1") METER 100mm (4")Master meter master meter 200mm(8") 150MM('6")Master Meter 50MM METER 2"	1,452,180
3.	Computers and Accessories (Asset)	Laptops, IPADS and computer	1,118,840

● **Major Risks Facing the Organization,**

The company consistently reviews the risk matrix and updates the risk register to ensure continuity of services even in view of major risks facing the organisation. The following matrix represents the risks facing the company and the mitigating factors.

No.	RISK FACTOR	LEVEL OF RISK	MITIGATION MEASURE
(i)	Inadequate resources	High	● Efficiency in resource utilisation through Proper annual work plans & budgets - Documentation and reporting on resource utilisation ● Enhance Public Private Partnership (PPP) to support capacity building, technical assistance and exchange programs ● Increase generation and collection efficiency
(ii)	Staff turnover	Medium	● Build Capacity ● Enhance staff incentive programs ● improvement working environment
(iii)	Consumers with huge debts	High	● Negotiate with customers on payment modalities ● Timely disconnection of defaulters to manage accumulation of debts ● Engage debt collectors ● Listing of defaulters with Credit Reference Bureau ● Liaison with other agencies e.g., Nyeri County Government, Lands Board ● Adhere to approved Debt policy
(iv)	Landslides/mudslide	Medium	● Rerouting of pipelines ● Anchoring on high-risk areas ● Change of pipe materials

No.	RISK FACTOR	LEVEL OF RISK	MITIGATION MEASURE
			● Installation of Pressure Reducing Valves ● Timely repair of leaks
(v)	Wildlife menace	Low	● Engage KWS ● Reroute pipelines
(vi)	Destructive land use practices in water catchment areas	High	● Rehabilitation of catchment areas ● Public awareness ● Liaising with the KFS to plant trees
(vii)	Conflict over the competing uses of the water resources	High	● Conduct public awareness ● Engage Water Resources Authority
(vii)	Climate Change	High	● Build storage facilities ● Participation in Conservation environment ● Create public awareness
(viii)	Corruption	High	● Good corporate governance ● Building strong ethical practices ● Enforce/ invoke the law
(ix)	Irrigation boreholes and wells	High	● Creation of public awareness ● Provision of reliable treated water supply.
(x)	Quality risk	Medium	● Specification ● Reporting & Inspections

No.	RISK FACTOR	LEVEL OF RISK	MITIGATION MEASURE
			• Monitoring
(xi)	Safety	Medium	• Secure the valves by cementing. • Sensitise the community on ownership
(xii)	Non-delivery of goods risk	Low	• Enhance inspection committee • Fill the bin card immediately after issue and delivery of items • Stores management system
(xiii)	Not using riding gear	High	• Construct staff storage cabinets • To follow traffic rules • Training of riders • Provide helmets • Allocation of Motor bikes to individual riders
(xiv)	Indiscipline	Medium	• Team Building • Warning letters • Use of Disciplinary procedures • Evaluation of performance
(xv)	Communication breakdown	High	• Enhance communication • Regular open staff meetings • Cultivate the good culture
(xvi)	Evaluation risks	Medium	• Set the performance targets
(xvii)	Virus,	High	• Antivirus, restricted administration rights • Remote backup
(xviii)	Burglary of offices	Medium	• Install CCTV • Insure office • Fencing of offices
(xix)	Fire outbreak	Medium	• Insurance

No.	RISK FACTOR	LEVEL OF RISK	MITIGATION MEASURE
			● Install fire extinguishers, water Bowsers & Hydrants ● Smoke detectors ● Trap doors
(xx)	Legal and compliance risk	High	● Compliance ● Engage legal service
(xxi)	Pandemics	High	● Comply With covid prevention measures ● Review work conditions for high-risk staff ● align working office with

● **Material Arrears in Statutory and Other Financial Obligations,**

During the financial year the company has no arrears in statutory obligations as at the close of the financial year. All obligations including VAT, PAYE, NSSF, NHIF are settled by due date except for the accrued cost for the month.

● **Review of the Economy,**

The company is registered and domiciled in Kenya under the company Act to offer water and sanitation services as an agent of the County Government of Nyeri. WASREB Impact 14, describes the following; Organisation for Economic Co-Operation and Development (OECD, 2012) describes the future globe as ‘hot, crowded, and running out of fuel: Earth of 2050 a scary place’. The report paints a grim picture of the world in 2050 based on current global trends. It predicts a world population of 9.2 billion people, generating a global GDP four times the size of today’s, requiring 80 percent more energy. With a worldwide energy mix still 85 percent reliant on fossil fuels by that time, it will be coal, oil, and gas that make up most of the difference, the OECD predicts. The report warns the result will be the ‘locking in’ of global warming, with a rise of as much as 6° C (about 10.8° F) predicted by the end of the century. Almost half the world’s people will be living under severe water stress, predicts the OECD. Already, water stress – where the reliable water supply is being used up more quickly than it can be replenished – is widespread and is expected to increase significantly in the years ahead, particularly in North Africa, the Middle East, and Asia.

The report further noted that the UN-Water Integrated Monitoring Initiative for SDG 6 (IMI-SDG6) states that the world is off-track on its journey to ensure water and sanitation for all by 2030.

From the 2022 impact 15 transformative promises of the 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs). The key word is ‘inclusivity’. Ensuring universal access means providing services for all in all settings including schools, health-care facilities, workplaces, and public places while addressing the needs of all population groups. From the progress report launched in August 2021, there is a need to accelerate progress, in some areas up to four times faster, to meet SDG 6 within the next eight years. However, large data gaps remain for some indicators, hampering efforts to direct interventions where they are needed most. Prominent water experts from across the UN family are calling on governments to encourage more national and sub-national data collection, and help policy and decision makers to take data informed action. During the period Water Sector institutions carried out various activities related to climate resilience. During the period, Kenya National Water and Sanitation Investment and Financing Plan (NAWASIP) was developed. NAWASIP is the tool that both levels of government will use towards universal Water Services Sector coverage. It has five components with funding requirements of Kshs. 995 Billion over a period of eight years.

The water sector is focused on sustainable development, fighting poverty, supporting food systems and creating jobs, prosperity, human rights and gender equality. The globe adopted the Water Action Agenda, a ‘milestone’ action plan containing almost 700 commitments to protect ‘humanity’s most precious global common good’. These commitments include the following;

- Reducing the pressures on hydrological systems and ensuring good decision-making and smart policies.
- Developing new, alternative food systems to reduce the unsustainable use of water in food production and agriculture.
- Designing and implementing a new global water information system to guide plans and priorities by 2030
- Integrating approach on water, ecosystems and climate to reduce greenhouse gas emissions and strengthen communities.
- Having resilient infrastructure, water pipelines and wastewater treatment plans, and ensuring every person in the world is protected with early warning systems against natural disasters by 2027.
- Continuing to press for climate justice and global action to limit global warming to a 1.5-degree rise.

- Dramatically accelerating resources and investment into the ability of all countries to reach Sustainable Development Goal 6.

● **Review of the Sector**

The company is in a regulated industry guided by various laws, policies and guidelines. The company has a target to achieve overall efficiency by achieving nine-point benchmarks set as tariff conditions as stated below;

TARIFF BENCHMARK	KEY MEASUREMENT	COMPANY PERFORMANCE
Water Coverage	Number of people served with water services/ Population in Service area. During the period the company had a total of 36,284 connections covering a total of 123,458 in population.	97.8%.
Drinking Water Quality	This metric compares the company water quality in terms of Compliance with residual Chlorine standards, bacteriological standards and Drinking Water Quality. The company had a near perfect score on the water quality evaluated in the categories of Residual Chlorine 100% Bacteriological Quality (100%) and overall drinking water quality of 100% up from 93% in the previous period. We shall endeavour to maintain high water quality standards on all water supplied to our system.	100%
Hours of Supply	Weighted average of all registered zones, for water supplied throughout the financial year.	23 hours
Personnel Expenditure as a Percentage	Sum of personnel expenditures incurred during the reporting period compared with the Total O+M as a percentage	42%

TARIFF BENCHMARK	KEY MEASUREMENT	COMPANY PERFORMANCE
Operation and Maintenance Cost Coverage	The metric compares the sum of billing for water, sewerage and other services and the sum total of "Total operating expenditures B" "Sum of expenses on personnel, BoD, General admin, direct operations, maintenance and levies and fees net of provisions.	132%
Revenue Collection Efficiency	This comprises the total of all bills on water and sewerage services collected during the reporting period including arrears as a proportion of the annual billing.	104%
Non-Revenue Water	NRW comprises of water from unauthorised consumption (e.g., illegal connections) + Customer meter reading inaccuracies, Estimates and Data Handling errors "Physical Losses B" Leakages on transmission and /or distribution pipes + Leakages and overflows at utility storage tanks + Leakage on service connections up to the point of customer use	36%
Metering Ratio	(Total number of active metered connections/Total number active of connections) *100	99%
Staff Productivity	The total number of staff divided by the total number of connections within the WSP service area per thousand connections	4

- **Future Developments**

The company has developed a five year strategic plan, business plan for the 2022-2027 cycle. The plan focuses on six thematic areas including Infrastructural Development, Customer Experience, Financial and Resource Mobilization, Capacity Building, Risk Management, ICT and Digitization that will guide the strategic direction of the company. The company has partnered with TWWDA for the construction of a full treatment facility at Kaharo targeting Mwai Kibaki level 6 hospital. A further proposal for rehabilitation of Othaya urban and Mukurweini town reticulation system valued at Kshs30M has been approved by WSTF and is pending funding.

10. Environmental and Sustainability Reporting-

OMWASCO exists to supply clean and accessible water to the residents of Nyeri South and Mukurweini water sub counties. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on six pillars: putting the customer/Citizen first, delivering clean water services, and improving operational excellence. During the period ending June 2024 which is the end term for the strategic period, the management noted our achievements in each pillar

- i) Sustainability strategy and profile** -The company makes policies in line with the internal and macroeconomic business environment. During the period, the company revised various policies to enable the company to achieve the objectives in line with the law. During the period the company budget was to increase the customer base by installing new connections in its area of supply as well as NRW reduction in the company. In response to the changing business environment and adjusting its operations in line with the changes.
- ii) Environmental performance** -The company has focused on environmental conservation annually by institutionalising tree planting where at least 10,000 trees were planted in various schools during the financial year. During the year, the company partnered with TWWDA for the extension of the sewer network in Othaya town, construction of sludge drying beds and an incinerator.
- iii) Employee welfare**-The company HR manual is dynamic to allow competitive recruitment of staff. The company management comprises three men and two ladies. The company undertook continued staff capacity building by training of staff in cross cutting issues. The organisation policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA) was reviewed and is under implementation. The company's current establishment has men and ladies. The company, also in compliance with the law, is working to achieve gender balance and ethnicity compliance by encouraging people from all walks of life to apply.
- iv) Marketplace practices**-Product stewardship- The company has taken efforts to safeguard consumer rights and interest through stakeholder engagements, union representation membership with WASPA, WASCO and FKE. The company still boasts of a strong SACCO welfare team and a framework with a robust arrangement with financial partners to ensure access to credit facilities by the company staff.
- v) Community Engagements**-During the year the company as part of the strategic positioning and in response to community needs carried out the following CSR activities. The company shall continue to prepare and align operations with the environment it operates in.

Paid school fees for a needy students in Mukurweini and Karima Boys	103,823
The company has become an active sponsor and participant during Mashujaa day celebrations	5,000
The company paid the water bills for customers identified as needy cases, and provided firewood for Mahiga, Boma and Bewomi Children's homes.	43,280

11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the company's affairs.

i) Principal activities

The principal activities of the company continue to be supply of water and sanitation services to the residents of Othaya and Nyeri south sub counties while conserving the environment.

ii) Results

The results of the company for the year ended June 30, 2024 are set out on page 1 Below is summary of the profit or loss made during the year.

INCOME	2023/2024	2022/2023
Total Income	196,896,947	197,603,363
Total Expenses	240,165,175	246,540,395
Profit/(Loss) Before Taxation	(43,268,228)	(48,937,033)
Income Tax Expense/(Credit)	1,274,775	1,445,192
Profit(Loss) After Taxation	(44,543,002)	(50,382,224)

iii) Dividends

The company has not declared dividends for the year ended June 2024 since the company is registered by guarantee and does not pay dividends.

iv) Directors

The members of the Board of Directors who served during the year are shown on page 1 In accordance with Regulation 30 of the company's Articles of Association.

v) 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 for the period ended June 30, 2024.

By Order of the Board



FCS Richard Gikuhi

P/CPSB/285

Company Secretary/Secretary to the Board

Date: 30/09/2024

12. Statement of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015- (entities should quote the applicable legislation under which they are regulated)) 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/period 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 (period) ended on June 30, 2024. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;

- Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- 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;
- Safeguarding the assets of the Company;
- Selecting and applying appropriate accounting policies; and
- Making accounting estimates that are reasonable in the circumstances.

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

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 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.

Statement of Directors' Responsibilities (Continued)

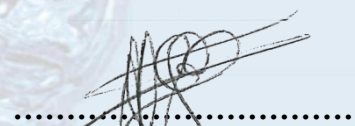
In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern. Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The company financial statements were approved by the Board on **September 20, 2024** and signed on its behalf by:



Eng. Benjamin K. Maingi
Chairperson of the Board

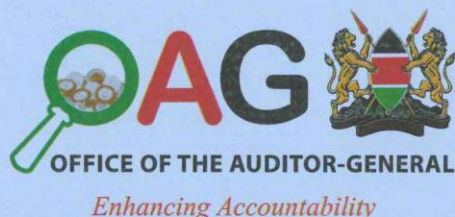


Moses N N Munyi
Managing Director

13. Report of the Independent Auditors for the financial statements of Othaya-Mukurweini Water and Sanitation PLC Ltd.

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: 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 OTHAYA-MUKURWEINI WATER AND
SANITATION PRIVATE LIMITED COMPANY FOR THE YEAR ENDED 30 JUNE, 2024**

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Othaya-Mukurweini Water and Sanitation Private Company Limited set out on pages 1 to 49, which comprise the

statement of financial position as at 30 June, 2024 and the statement of Profit or Loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for 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 Othaya-Mukurweini Water and Sanitation Private Company Limited as at 30 June, 2024 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 Water Act 2016, the Company's Act 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Property, Plant and Equipment

The statement of financial position reflects property, land and equipment balance of Kshs.23,161,509 as disclosed in Note 20 to the financial statements. Audit review revealed the following anomalies.

1.1 Property Plant and Equipment Not in Financial Statements

Available information indicates that the Company inherited non-current assets including land and buildings from the defunct Tana Water Services Board. However, the assets have not been incorporated in these financial statements.

1.2 Property, Plant and Equipment with Nil Book Values

The property, plant and equipment balance excludes property, plant and equipment with a historical cost of Kshs. 133,531,877 which had been fully depreciated/amortized but was still in use, and had neither been revalued nor disposed as at 30 June, 2024.

1.3 Lack of Ownership Documents

The property, plant and equipment balance includes motor vehicles/cycles valued at Kshs.715,853. Review of the records in support of this amount revealed that the company operates three (3) motorcycles and seven (7) motor vehicles of unknown value that were not registered in its name.

In the circumstance, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.23,161,509 could not be confirmed.

2.0 Understatement of Inventories Balance

The statement of financial position reflects inventories balance of Kshs.12,211,863. However, although the Company's main item of trade is water, and as disclosed in Note 23 to the financial statements, water was not considered and included as part of inventory at the end of the financial year.

In the circumstances, the accuracy and completeness of the inventories balance of Kshs.12,211,863 could not be confirmed.

3.0 Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.82,856,387 which is net of provision for bad and doubtful receivables of Kshs.151,014,693 as disclosed in Note 24(b) to the financial statements. However, the receivables debt amounting to 202,847,286 relates to financial year 2022/2023 and earlier years and had not been collected as at 30 June 2024.

In addition, these customers' accounts did not reflect current bills, an indication that they may have been disconnected or suspended and no evidence of debt recovery measures in place was provided for audit review.

In the circumstances, the accuracy and recoverability of trade and other receivables balance of Kshs.82,856,387 could not be confirmed.

4.0 Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables totalling Kshs.35,700,340. The amount includes payables amounting to Kshs.11,808,567 as disclosed in Note 30 to the financial statements which have remained outstanding for over one year.

In the circumstances, the validity, accuracy and completeness of trade and other payables balance of Kshs.11,808,567 could not be confirmed.

5.0 Bill of Customers with Estimate

The statement of profit or loss and other comprehensive income reflects operating revenue amount of Kshs.177,771,816 in respect of operating revenue and as disclosed in Note 6 to the financial statements. Audit review of the customer billing records revealed a customer base of 27,389 as per the Company's water meter inventory. Out of these, 21,915 water meters (customers) were active while the balance of 5,474 were either terminated, dormant or had been disconnected. However, an analysis report of 21,915 active customers indicated a total number of connections of 2,142, were unbilled customers. The un-billed customers have not been explained nor reconciled.

In the circumstances, the accuracy and completeness of operating revenue of Kshs.177,771,816 could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Othaya-Mukurweini Water and Sanitation Private 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 judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Audit Matters

The audit report for the previous year highlighted several issues in respect of the financial statements, lawfulness and effectiveness of public resources. Management's report on the progress made in resolving the issues did not indicate the status of these issues as at 30 June, 2024.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters above, provide the basis for my audit opinion on the accompanying financial statements.

Other Information

Conclusion

The Directors are responsible for the other information set out on page iii to xxxv which comprise of Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and the Statement of Directors Responsibilities.

The Other Information does not include the financial statements and my audit report thereon.

Basis of Conclusion

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Revenue Water Management

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflects Kshs.177, 771,816 in respect to operating revenue which includes Kshs.161, 320,386 in respect to revenue from the sale of water. Information available revealed that the Company produced 6,461,280 cubic meters (M3) of water out of which only 4,106,078 cubic meters (M3) were billed to the customers. The balance of 2,355,202 cubic meters or approximately 36% of the total volume of water produced, therefore, represents non-Revenue water (NRW) which was 11% over and above the allowable loss of 25% in accordance with schedule E of Water Service Regulatory Board (WASREB) guidelines. The significant level of Non-Revenue Water could be an indication of inefficiency and ineffectiveness in the use of public and water resources, which may negatively impact on the Company's profitability and its ability to sustain services.

In the circumstances, the non-revenue water reduction measures were not effective during the year under review and Management was in breach of Policy Guidelines and WASREB guidelines.

2. Expired Water Sales Tariff

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects total income of Kshs.177,771,816. However, the

Report of the Auditor-General on Othaya-Mukurweini Water and Sanitation Private Company Limited for the year ended 30 June, 2024

Company was billing customers using tariffs that expired in the year 2014. In the Circumstances, the lawfulness of the tariffs applied in billing customers could not be confirmed.

In the circumstances, Management was in breach of the law and may not recover its operational and maintenance costs.

3. Non-Renewal of License

It was observed that the Company has been operating without a License with The Water Services Regulatory Board (WASREB) with effect from 31 August, 2023 upon its expiry and has since not been renewed.

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

4. Non-Filing of Annual Company Returns with the Registrar of Companies

Audit examination of the Company's statutory returns records established that the it failed to file its annual returns with the Registrar of Companies for the financial year 2023/2024 in contravention of the Companies Act.

In the circumstances, Management was in breach of the law

5. Movement of Conditional Liquidity grants to Deferred Income without Approved Budget

The statement of profit or loss and other Comprehensive income as at 30 June, 2024 reports revenues of Kshs.196,896,947. Included in the amount are conditional liquidity grants of Kshs.248,776 which were balances from the original grants of Kshs 9,951,039 resulting to the difference of Kshs.9,702,263 which were moved to deferred income and were not supported by approved income and expenditure budget for each project. In addition, the management has failed to demonstrate that the deferred income recognized in the financial statements is as a result of actual revenues received being in excess of the approved income budget and work plan for each project in the year under consideration to warrant the accounting treatment recorded in the books of account.

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

6. Non-compliance with Budget Process Deadlines

The Company's budget for financial year 2023/2024 was approved during a Board of Directors meeting held on 5 May, 2023 contrary to Regulation 30(8) of the Public Finance Management, County Government Regulations, 2015, Budget estimates of County Government Entities shall be reviewed and consolidated and the annual budget estimates submitted to the County Assembly by 30 April of the current financial year and Section 128 (1) of the Water Act, 2016 that requires estimates of revenue and expenditure of the

water company be prepared three (3) months before the commencement of the financial year

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

7. Unbalanced Budget

The statement of comparison of budget and actual amounts for the year ended 30 June, 2024 reflects Kshs.195,082,149 in respect to the final revenue budget against final expenditure budget of Kshs.233,142,760 resulting in a budget deficit of Kshs.38,060,611. Contrary to Section 31(c) of the Public Finance Management (County Government) regulations, 2015 which provides that budgeted revenue and expenditure appropriations shall be balanced.

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

8. Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of employees of the Company was one hundred and twenty-four (124) out of which one hundred and fifteen (115) or 93% were members of the dominant ethnic community in the County. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community. Further, during the year under review, the entity recruited four new staff and the positions were filled by candidates from the dominant ethnic community contrary to Section 65(1)(e) of the county government Act, 2012 which requires that in selecting candidates for appointments the County Public Services Board shall consider the need to ensure that at least Thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Failure to Hold Annual General Meetings

Management did not provide evidence to confirm that annual general meetings were held contrary to the requirement of Section 275(A)(1) of the Companies Act, 2015, which provides that every Company should convene a general meeting once a year.

In the circumstances, it was not possible to confirm the effectiveness of governance systems in the Company.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

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

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's, compliance with laws and regulations. I believe that the

audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 January, 2025

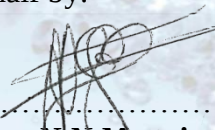
14. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2024.

	Note	2023/24 FY	2022/23 FY*
		Kshs	Kshs
		2023/2024	2022/2023
INCOME	Notes	Kshs	Kshs
Operating Revenue	6	177,771,816	177,315,367
Grants Income	7	248,776	5,493,682
Other Income	8	14,627,107	9,977,008
Finance income	9	4,249,248	4,817,306
Other gains/(losses)	10	-	-
Total income		196,896,947	197,603,363
OPERATING EXPENSES			
Staff Costs	11	86,396,294	84,630,518
General and Operations expenses	12	95,859,820	103,520,500
Board Expenses	13	6,897,198	6,578,320
Maintenance Expenses	14	45,654,138	47,609,495
Depreciation and Amortisation expenses	15	5,357,725	4,201,562
Finance Costs	16	-	-
Total Expenses		240,165,175	246,540,396
Profit/(Loss) Before Taxation	17	(43,268,228)	(48,937,033)
Income Tax Expense/(Credit)		1,274,775	1,445,192
Profit/(Loss) After Taxation		(44,543,002)	(50,382,224)
Earnings Per Share – Basic And Diluted	18	(8,909)	-
Dividend per share	19	-	-

15. Statement of Financial Position As at 30 June 2024

	Note	2023/24 FY	2022/23 FY
		Kshs	Kshs
ASSETS		2023/2024	2022/2023
NON CURRENT ASSETS			
Plant Property and Equipment	20	23,161,509	23,066,288
Software	21	2,310,286	465,412
Deferred Asset	22	9,453,487	9,702,263
TOTAL NON CURRENT ASSETS		34,925,282	33,233,962
CURRENT ASSETS			
Inventories	23	12,211,863	12,832,709
Trade & Other Receivables	24	82,856,387	120,868,815
Short Term Deposit	25	43,087,600	20,000,000
Cash and Bank Balances	26	28,897,012	48,057,119
Deferred Asset	22	248,776	248,776
TOTAL CURRENT ASSETS		167,301,638	202,007,419
TOTAL ASSETS		202,226,920	235,241,381
EQUITY & RESERVES			
Share Capital	27	100,000	-
Retained Earnings	28	96,701,562	141,244,564
Capital Grants	29	9,702,263	9,951,039
Total Equity & Reserves		106,503,825	151,195,603
CURRENT LIABILITIES			
Trade and other payables	30	35,700,340	27,623,945
Refundable Deposits	31	29,404,784	27,781,284
Creditors, Accruals and Prepayments	32	29,516,583	27,069,082
Provision for Tax	33	637,387	1,107,468
Other Provisions	34	464,000	464,000
TOTAL CURRENT LIABILITIES		95,723,095	84,045,779
TOTAL EQUITY AND LIABILITIES		202,226,920	235,241,381

The financial statements were approved by the Board on **September 20, 2024** and signed on its behalf by:


Moses N N Munyi
Managing Director


Peter N Gakuru
Head of Finance
ICPAK M/No:12592


Eng. Benjamin K Maingi
Chairman of the Board

16. Statement Of Changes in Equity for the Year Ended 30 June 2024

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividend	Capital/Development Fund	Total
As at July 1, 2023 (Current FY)		-	-	-	141,244,564	-	9,951,039	151,195,603
New capital issued		100,000						100,000
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Loss for the year		-	-	-	(44,543,002)	-	-	(44,543,002)
Capital/Development grants received during the year	-	-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	(248,776)	(248,776)
Dividends paid – prior year	-	-	-	-	-	-	-	-
Interim dividends paid – current year	-	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-	-
As at June 30, 2024	-	100,000	-	-	96,701,562	-	9,702,263	106,503,825
As at July 1, 2022 (Previous FY)		-	-	-	171,138,246	-	8,201,900	179,340,146
Issue of new share capital		-	-	-	-	-	-	-

Othaya-Mukurweini Water and Sanitation PLC
Annual Report and Financial Statements for the year ended June 30, 2024

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividend	Capital/Development Fund	Total
Prior Year Adjustment		-	-	-	20,488,542	-	-	20,488,542
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Loss for the year		-	-	-	(50,382,224)	-	-	(50,382,224)
Capital/Development grants received during the year		-	-	-	-	-	2,004,294	2,004,294
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	(255,155)	(255,155)
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
At June 30, 2023		-	-	-	141,244,564	-	9,951,039	151,195,603

Note:

- During the 2022-23FY, the company with concurrence from agencies reconcile amounts due to TWWDA for fees prior to enactment of the Water Act2016. The resultant credit arose from the fees accrued and expensed in the company books post the revision of the water act.

17. Statement Of Cash Flows for The Year Ended 30 June 2024

	Note	2023/24 FY	2022/23 FY
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts	35	180,322,792	177,315,367
Non-Operating Receipts			
Other Income	35	14,627,107	9,977,008
Finance Income	35	4,249,248	4,817,306
Capital Grants	35		2,004,294
Operating Grants	35	-	5,493,682
Customer Deposit Receipts	35	1,297,500	1,816,625
Compensation income			
Total Receipts		200,496,647	201,424,282
Payments			
Administration Cost	35	(67,806,258)	(59,063,739)
Personnel Costs	35	(85,117,708)	(84,630,518)
Water Supply Operation and Maintenance	35	(45,654,138)	(47,609,495)
Board Expenses	35	(6,897,198)	(6,578,320)
Refund of Customer Deposits	35	-	(17,500)
Payment for income tax	35	(837,387)	(1,708,310)
Payment of arrears	35	9,773,072	(463,794)
Total Payments		(196,539,616)	(200,071,676)
Net Cash From/(Used In) Operating Activities		3,957,031	1,352,606
Cash Flows from Investing Activities			
Purchase of Property, Plant And Equipment (PPE)	35	(4,049,045)	(4,990,098)
Purchase of Intangible Assets	35	(3,000,000)	(698,114)
Proceeds From Capital Grant		-	-
Payment for Capital works under grant			(2,004,294)
Purchase of Quoted Investments		-	-
Proceeds From Disposal Of Quoted Investments		-	-
Net Cash From/(Used In) Investing Activities		(7,049,045)	(7,692,506)
Cash Flows from Financing Activities			
Proceeds From Issues of New Share Capital		-	-
Proceeds From Borrowings		-	-
Repayment Of Borrowings		-	-
Dividends Paid		-	-

	Note	2023/24 FY	2022/23 FY
		Kshs	Kshs
Net Cash From/(Used In) Financing Activities		-	-
Increase/(Decrease) In Cash And Cash Equivalents	35	(3,092,014)	(6,339,900)
Cash And Cash Equivalents At Beginning Of Year		68,057,119	74,397,019
Effects Of Foreign Exchanges Rate Fluctuations		-	-
Cash And Cash Equivalents At End Of The Year		64,965,105	68,057,119

18. Statement of Comparison of Budget & Actual Amounts for the Period Ended 30 June 2024

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	C=a+b	d	e= c-d	f=d/c %
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Xxx%
Operating Revenue	195,812,909	(9,800,000)	186,012,909	172,851,136	13,161,773	93%
Other Revenue*	9,769,240	(4,200,000)	5,569,240	19,796,563	(14,227,323)	355%
Grants	-	-	-	-	-	-
Finance Income *	3,000,000	500,000	3,500,000	4,249,248	(749,248)	121%
Other gains	-	-	-	-	-	-
Total Revenue	208,582,149	(13,500,000)	195,082,149	196,896,947	(1,814,798)	101%
Expenses						
Staff Costs	93,540,209	(1,280,996)	92,259,213	86,396,294	5,862,920	94%
Board Expenses	6,281,160	500,000	6,781,160	6,897,198	(116,038)	102%
General and operations Expenses	81,536,909	(11,877,906)	69,659,003	95,859,820	(26,200,817)	138%
Maintenance	83,313,384	(18,870,000)	64,443,384	45,654,138	18,789,246	71%
Total Recurrent Expenditure	264,671,662	(31,528,902)	233,142,760	234,807,450	(1,664,690)	101%
Profit or Loss	(56,089,513)	18,028,902	(38,060,611)	(37,910,503)	(150,108)	100%
Capital Expenditure	8,369,400	(3,815,140)	4,554,260	7,049,045	(2,494,785)	155%
Total Expenditure	273,041,062	(35,344,042)	237,697,020	241,856,495	(4,159,475)	102%
Donor Projects	838,750,000	(808,399,657)	30,350,343	15,175,172	15,175,171	50%

Explanatory Notes

* Other Revenue: During the period, the company received funds being compensation to reroute pipelines in Mukurweini destroyed by a road contractor during grading. The total value received amounted to Kshs 13,947,679 posted as compensation for loss of value under Note 8.

*Finance income increased during the period by over Kshs700,000 due to negotiation of better rates for consumer deposit held at the commercial bank rather than what was original turnover from the same amounts which were not negotiated in the past.

*General & Operation Expenses Registered a high variation caused by impact of provision for bad debts Kshs35,461,452 recognised in the year but which did not represent cash out.

19. Notes To the Financial Statements

1. General Information

Othaya-Mukurweini Water and Sanitation PLC is established in Kenya under the Companies Act, 2015 (formerly Cap 486) as a company limited by guarantee on 29th May 2006 and started operations on 7th July 2006, and derives its authority and accountability from Water Act 2016. The Company is wholly owned by the Nyeri County Government and is domiciled in Kenya. The Company's principal activity is provision of water and sewerage services in Nyeri south and Mukurweini sub counties. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

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

The 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 (*include any other applicable legislation*), 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 and effective in the year ended 30 June 2024.

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

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

(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 under review.

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established. During the period, there were no dividend income received.
- v) Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognized as it accrues.

Notes to the financial statements (continued)

Summary of 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.

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations. Depreciation on property, plant and equipment is recognized in the income statement on a 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
Furniture and Fittings	8	12.50%
Computers and Accessories	3	33.30%
Water meters and Distribution Pipelines	5	20%
Motorcycle/ Vehicle	4	25%
Water Tanks & Buildings	40	2.50%
Laboratory Equipment & Loose tools	8	12.50%
Furniture and Fittings	8	12.50%
Computers and Accessories	3	33.30%

A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment and accounted for in line with the provisions in the standard.

e) Intangible assets

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

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortization and impairment of intangible assets

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

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising from derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized. [06]

Notes to the financial statements (continued)

Summary of Accounting Policies

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

i) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at amortized cost or at fair value through other comprehensive income (FVOCI).

j) Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange. These are measured at fair value through profit or loss (FVTPL).

l) 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.

Notes to the financial statements (continued)

Summary of Accounting Policies

m) Trade and other receivables

Trade and other receivables are recognized at amortized cost 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. A report on losses and write offs is disclosed on page 32 of this report.

n) 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 profit or loss statement. 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. 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.

o) Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

Notes to the financial statements (continued)

Summary of Accounting Policies

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q) 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.

r) 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 amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable on 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 capitalized as part of the cost of the project.

s) 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.

t) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2014. The scheme is administered by an in-house team and is 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 Nssf Employer Tier 1 -420 capped at and Nssf Employer Tier 2 capped at Kshs1740 per employee per month.

Notes to the financial statements (continued)

Summary of Accounting Policies

u) Provision for staff leave pay

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

v) 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 recognized in profit or loss.

w) Budget information

The original budget for FY 2023-2024 was approved by the Board of Directors in May 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of Kshs (39,340,719) on the 2023-2024 budget following the Boards approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on an accrual basis using a classification based on the nature of expenses in the statement of profit or loss, 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 32 of these financial statements.

x) Service concession arrangements

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

Notes to the financial statements (continued)

Summary of Accounting Policies

y) Comparative figures

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

z) 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, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value for 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 29.

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.

- provision for bad debts, These are estimated arising from services invoiced to the consumers. The company adopts provisions in the debt policy to determine and make provisions for the aged debt.
- provisions for audit: These are estimated costs for annual audits conducted by the office of the auditor general.

Notes to the financial statements (continues)

6. Operating Revenue

	2023/24 FY	2022/23 FY
	Kshs	Kshs
Water sales	161,320,386	159,985,626
Sewerage Services	11,530,750	11,625,701
Billing for other services*	4,920,680	5,704,040
Total	177,771,816	177,315,367

Billing for other services refers to income generated from services such as reconnection fees, sales of sludge, turn on and turn off costs, surcharges as guided by the tariff..

7. Grants Income

	2023/24 FY	2022/23 FY
	Kshs	Kshs
Operational grants from Government entities	-	5,493,682
Recurrent/operational grants from other agencies	-	-
Capital grants amortised	248,776	-
Donations from County Governments	-	-
In Kind contribution/donations from other agencies	-	-
Total	248,776	5,493,682

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

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	2023/24 FY KShs
Department WSTF	248,776	-	-	-	248,776
Total	248,776	-	-	-	248,776

Notes to the financial statements (continued)

8. Other Income

	2023/24 FY	2022/23 FY
	Kshs	Kshs
Disposal of assets	53,300	102,300
Fine and penalties	626,128	1,094,700
Compensation for loss of value	13,947,679	8,686,872
Recoveries for lost assets	-	93,136
Compensation for loss of value	14,627,107	9,977,008

During the year the company received compensation to enable rerouting of pipelines in Mukurweini to facilitate construction of all-weather road at Karundu.

9. Finance Income

	2023/24 FY	2022/23 FY
Description	Kshs	Kshs
Interest from commercial banks and financial institutions	4,249,248	4,817,306
Total	4,249,248	4,817,306

The interest income relates to earnings on amounts held at commercial banks as on call deposit for term period.

10. Other Gains and Losses

	2023/24 FY	2022/23 FY
Description	Kshs	Kshs
Loss/gain on disposal on sale of investments	-	-
Gain on sale of fixed assets	-	-
Total	-	-

Notes to the financial statements (continued)

11. Staff Costs

Description	2023/24 FY	2022/23 FY
	Kshs	Kshs
Gross Salary and Allowances	72,109,893	73,812,473
NSSF*	2,148,555	897,947
NITA	74,100	77,100
Pension	5,221,533	5,315,733
Gratuity	3,590,119	3,302,710
Contract Employees	847,645	1,224,555
Leave Allowance	1,473,424	-
Affordable Housing**	900,625	-
Acting Allowance	30,400	-
Total	86,396,294	84,630,518
The average number of employees during the year	127	129
Permanent employees-Management	5	5
Permanent employees-Unionisable	78	96
Temporary and Contract Employee	42	27
Interns	2	1
Total	127	129

*During the year a legislation was passed requiring the company to pay NSSF at two tier levels and the company complied.

**The government introduced an affordable housing levy for the employed employees at 1.5% of gross earnings payable by employer and employee.

12. General and Operations Expenses

	2023/24 FY	2022/23 FY
Description	Kshs	Kshs
Advertisement	360,760	374,750
AGM Costs	494,320	1,110,118
Audit fee	464,000	464,000
Bank Charges	88,011	116,583
Compensation for damages	-	5,500
Conference meetings	2,057,060	1,157,800
Corporate Social Responsibility	148,103	154,130
Customer Service Week	627,699	545,065
Electricity	494,700	396,505
Electricity for Production	1,258,000	1,552,878
General Insurance	1,196,773	1,197,053
General Office expenses	499,661	416,600
Insurance Medical	4,593,938	4,189,738
Internet services	696,930	441,060
Journals and Newspapers	5,820	45,840
Kenya forest	480,240	480,240
Laboratory Reagents & Equipment	194,686	633,301
Lease	782,300	615,100
Lease fee & Regulatory levy	7,337,060	7,140,495
Legal & professional	1,436,283	847,965
Membership/Subscription fees	231,400	250,400
Milk Cost, Standby & Holiday expense	901,295	1,076,400
Motor Vehicle/Cycle Fuel and Lubricants	7,237,946	6,070,310
OSHA Compliance	587,266	562,616

	2023/24 FY	2022/23 FY
Description	Kshs	Kshs
Permits and licences	1,171,444	301,944
Postage and Delivery	1,248,343	872,677
Provision for Bad and Doubtful debts (General and specific)	35,461,452	44,456,761
Public participation	403,200	590,486
Security	2,677,000	2,868,000
Sports	2,328,356	194,464
Staff end year party	719,555	962,000
Staff Uniforms	240,640	490,300
Staff welfare	140,000	-
Stationery & Printing	670,212	892,285
Governance Compliance	1,446,258	1,960,904
Telephone	1,097,400	1,103,600
Token of appreciation	287,413	100,000
Training costs board	-	-
Training staff	1,178,450	2,361,829
Travel & Subsistence	3,847,535	3,110,551
VAT additional assessment	180,747	-
Water Abstraction Fee (WARMA)	2,243,160	2,243,160
Water Treatment Chemicals	8,324,405	11,147,093
WRUA Subscription	20,000	20,000
Total	95,859,820	103,520,501

Notes to the financial statements (continued)

13. Board Expenses

Description	2023/24 FY	2022/23 FY
	KShs	KShs
Chairman Honoraria	342,852	342,852
Sitting allowances	3,229,246	2,616,862
Induction and Training	3,325,100	3,618,606
Total Board Expenses	6,897,198	6,578,320

14. Maintenance Expenses

	2023/24 FY	2022/23 FY
Description	Kshs	Kshs
Maintenance of Software	1,984,000	708,430
GIS costs	278,300	154,600
Motor Vehicles/cycles	1,762,574	1,589,863
Repairs and maintenance buildings	436,792	1,214,561
Repairs Computers & Computer accessories	697,236	85,720
Environment Conservation	47,000	62,600
Intake Maintenance	247,800	282,630
Minor Works	18,411,738	13,144,582
New connection Installation	3,199,500	3,771,552
Non-Revenue Management costs	11,570,490	9,944,429
Maintenance water system	6,221,308	16,219,405
Assorted Tools	346,606	-
Meter testing Cost	94,000	-
Sewer System Maintenance	356,794	431,123
Total Maintenance Expenses	45,654,138	47,609,495

15. Depreciation and Amortization Expenses

Description	2023/24 FY	2022/23 FY
	KShs	KShs
Property, plant, and equipment	3,953,823	3,960,160
Right of Use Assets	-	-
Intangible assets	1,155,126	241,402
Investment property carried at cost	248,776	-
Total Depreciation and Amortization	5,357,725	4,201,562

16. Finance costs

	2023/24 FY	2022/23 FY
Description	Kshs	Kshs
Interest expense on loans	-	-
Interest expense on bank overdrafts	-	-
Interest on lease liabilities	-	-
Others (specify)	-	-
Total	-	-

17. Income Tax Expense/(Credit)

Current taxation

	2023/24 FY	2022/23 FY
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	1,274,775	1,445,192
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	1,274,775	1,445,192

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

	2023/24 FY	2022/23 FY
	Kshs	Kshs
Profit before taxation	(8,198,232)	(68,520,395)
Tax at the applicable tax rate of 30%	(2,459,470)	(20,556,119)
Current tax	1,607,317	1,321,983
Prior year under-provision	(74,633)	(1,648,105)
Tax effects of expenses not deductible for tax purposes	(2,380,428)	(2,194,904)
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	5,018,766	(5,018,766)
Deferred tax prior year over-provision	(6,486,678)	(96,616,305)
Total	(8,198,232)	(68,520,395)

(Provide short appropriate explanations as necessary)

18. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax of Kshs. (9,473,006): by the average number of ordinary shares in issue during the year of 5,000. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

19. Dividend Per Share

The company did not declare the dividends during the year. The income derived from operations is reinvested in strengthening/expanding its operations.

Notes to the financial statements (continued)

20. Property, Plant and Equipment

21.

ASSETS	Furniture and Fittings	Computers and Accessories	Water meters and Distribution Pipelines	Motorcycle/Vehicle	Water Tanks & Buildings	Laboratory Equipments & Loose tools	Work in Progress	Totals	Capital Grant
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs	Kshs.	Kshs.
	12.50%	33.30%	20%	25%	2.50%	12.50%			2.50%
Balance B/f (cost) at 01.07.23	3,490,758	11,416,444	94,769,696	7,477,240	9,968,670	5,285,533	-	132,408,341	10,206,194
Additions during the year	-	1,118,840	1,452,180	-	-	1,478,025	-	4,049,045	-
Total Assets	3,490,758	12,535,284	96,221,876	7,477,240	9,968,670	6,763,558	-	136,457,386	10,206,194
Accumulated Dep. at 01.07.23	1,687,372	9,362,620	87,975,036	6,522,769	1,635,377	2,158,880	-	109,342,054	255,155
Depreciation Charge for the year	225,423	1,056,497	1,649,368	238,618	208,332	575,585	-	3,953,823	248,776
Accumulated Depreciation	1,912,795	10,419,117	89,624,404	6,761,387	1,843,709	2,734,465	-	113,295,877	503,931

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ASSETS	Furniture and Fittings	Computers and Accessories	Water meters and Distribution Pipelines	Motorcycle/Vehicle	Water Tanks & Buildings	Laboratory Equipments & Loose tools	Work in Progress	Totals	Capital Grant
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs	Kshs.	Kshs.
NBV. AT 30/06/24	1,577,963	2,116,167	6,597,472	715,853	8,124,961	4,029,093	-	23,161,509	9,702,263
Bal b/f (cost) at 01.07.22	3,086,658	11,079,426	94,769,696	7,477,240	7,590,350	3,414,873	-	127,418,243	8,201,900
Additions during the year	404,100	337,018			2,378,320	1,870,660	-	4,990,098	2,004,294
Total Assets	3,490,758	11,416,444	94,769,696	7,477,240	9,968,670	5,285,533	-	132,408,341	10,206,194
Accumulated Dep. at 01.07.22	1,429,745	8,337,248	86,276,371	6,204,612	1,421,703	1,712,216	-	105,381,894	-
Depreciation Charge for the year	257,627	1,025,372	1,698,665	318,157	213,674	446,665	-	3,960,160	255,155
Total Accumulated Depreciation	1,687,372	9,362,620	87,975,036	6,522,769	1,635,377	2,158,880	-	109,342,053	255,155
NBV. AT 30.06.23	1,803,386	2,053,824	6,794,660	954,471	8,333,293	3,126,653	-	23,066,288	9,951,039

Notes to the financial statements (continued)

Valuation

Land and buildings, were not valued

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
Furniture and Fittings	3,490,758	1,912,795	1,577,963
Computers and Accessories	12,535,284	10,419,117	2,116,167
Water meters and Distribution Pipelines	96,221,876	89,624,404	6,597,472
Motorcycle/ Vehicle	7,477,240	6,761,387	715,853
Water Tanks & Buildings	9,968,670	1,843,709	8,124,961
Laboratory Equipment & Loose tools	6,763,558	2,734,465	4,029,093
Work in Progress	-	-	-
	136,457,386	113,295,877	23,161,509

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

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	-	-
Motor vehicles, including motorcycles	-	-
Computers and related equipment	-	-
Office equipment, furniture and fittings	-	-
Total	-	-

20 (c) Other Assets

The company does not have ownership for the land and buildings on which it operates as the properties are held by TWWDA which had responsibility for asset development under water act 2002, in addition the company does not have ownership over productions and distribution works developed by TWWDA which had the original mandate of asset development. Transfer of ownership has not been implemented and is under IGTRC. The company has not recognised the assets in its books.

Valuation

The Company does not have title for the land on which the buildings are located since the 2002 water Act from which the company was established did not have provisions for asset ownership. The subsequent legislation i.e. water act 2016 allowed the company to have assets but the transfer process has not been completed. No valuation has been carried on the land and buildings. The company does not have ownership nor title over vehicles and motorbikes as per the list. Consequently no recognition has been done in its books for the said assets in the period.

Notes to the financial statements (continued)

22. Intangible Assets

	2023/24 FY	2022/23 FY
	Kshs	Kshs
Cost		
At July 1	11,060,742	10,362,628
Additions	3,000,000	698,114
Disposals	-	-
At June 30	14,060,742	11,060,742
Amortisation		
At July 1	(10,595,330)	(10,353,928)
Charge for the year	(1,155,126)	(241,402)
Disposals	-	-
Impairment loss	-	-
At June 30	(11,750,456)	(10,595,330)
Net book value		
At June 30	2,310,286	465,412

The company acquired an ERP Having 6 modules including billing, finance, HR Management, Asset Management, Customer care and Procurement modules. The asset is carried at cost.

23. Deferred Asset

	2023/24 FY	2022/23 FY
	Kshs	Kshs
Balance at 1 July	9,951,039	8,201,900
Grants	-	2,004,294
Transfer of depreciation from capital fund to retained earnings	(248,776)	(255,155)
	9,702,263	9,951,039
Classified as;		
Current Asset	248,776	248,776
Deferred Asset	9,453,487	9,702,263
Total	9,702,263	9,951,039

The asset is derived from capital grants received and utilised in development of a Decentralised treatment facility (DTF). A portion equivalent to annual amortisation is transferred to the income as amortisation in the year..

Notes to the financial statements (continued)

24. Inventories

	2023/24 FY	2022/23 FY
	Kshs	Kshs
General stores	105,601	176,304
Chemicals & Laboratory items	2,034,532	1,379,153
Water fittings and Accessories	9,159,876	8,931,300
Motor vehicle spare parts	152,500	158,498
Stationery and general stores	400,394	248,494
Finished goods	-	1,580,000
Water inventory	358,960	358,960
Total	12,211,863	12,832,709

25. Trade and Other Receivables

	2023/24 FY	2022/23 FY
	KShs	KShs
Trade receivables (note (24a))	233,761,090	233,561,580
Deposits and prepayments	105,000	3,143,836
VAT (Value Added Tax) recoverable	8,000	(284,650)
Staff receivables (note 24 (c))	-	-
Other receivables	-	-
Gross trade and other receivables	233,874,090	236,420,766
Other provision for Bad & Doubtful debts	(115,551,951)	(50,575,555)
Specific Provisions for bad debts		(64,976,396)
Net trade and other receivables	118,322,139	120,868,815

Notes to the financial statements (continued)

24. (a) Trade Receivables

	2023/24 FY	2022/23 FY
	Kshs	Kshs
Gross trade receivables	233,761,090	233,561,580
Less: Specific provisions	(115,551,951)	(64,696,396)
	118,209,139	168,585,184
Provision for doubtful receivables	(35,462,742)	(50,575,555)
Net trade receivables	82,746,397	118,009,629
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	9,204,959	(1,848,888)
Between 30 and 90 days	9,731,497	14,194,737
Between 91 and 120 days	9,829,496	11,991,407
Over 120 days	202,847,286	209,224,324
Total	231,613,238	233,561,580

24. (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2023/24 FY	2022/23 FY
	KShs	KShs
At the beginning of the year	115,551,951	71,095,190
Additional provisions during the year	35,462,742	-
Recovered during the year	-	(20,519,635)
Written off during the year	-	-
At the end of the year	151,014,693	50,575,555

24. (c) Staff Receivables

	2023/24 FY	2022/23 FY
	Kshs	Kshs
Gross staff loans and advances	-	-
Provision for impairment loss	-	-
Net staff loans	-	-
Less: Amounts due within one year	-	-
Amounts due after one year	-	-

Notes to the financial statements (continued)

(d) Reconciliation of Impairment Allowance for Staff Receivables

Description	2023/24 FY	2022/23 FY
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

Notes to the financial statements (continued)

26. Short Term Deposits

	2023/24 FY	2022/23 FY
	Kshs	Kshs
Commercial banks		
Fixed deposit Equity bank	14,107,000	10,000,000
Fixed deposit Coop bank	10,000,000	10,000,000
Kenya Commercial Bank-Fixed Deposit Account	18,980,600	
	43,087,600	20,000,000

These relate to customer deposits held by the company in a call deposit account. The average effective interest on the call deposit as at June 30, 2023 was 7% (2022 6%)

27. Bank and Cash Balances

	2023/24 FY	2022/23 FY
	Kshs	Kshs
Current Account	9,731,581	3,555,911
Collection Accounts	2,960,751	2,706,818
Project Accounts	16,102,491	853
Other Accounts	102,188	41,793,537
	28,897,012	48,057,119

Notes to the financial statements (continued)

Detailed analysis of the cash and cash equivalents

		2023/24 FY	2022/23 FY
Financial institution	Account number	KShs	KShs
a) Current account			
Cash at Hand		-	
Cash At Bank (KCB)	1101548886	5,339,881	3,218,315
Cash At Bank (Equity Bank Development)	80290363165	3,971,855	337,596
Equity Savings Account		419,845	
Sub- total		9,731,581	3,555,911
b) Collection Accounts			
M-Pesa Account	Pay bill 968200	1,133,690	536,761
Cash at Bank-Equity Eazzy 24/7	802299032536	112,615	329,911
Cash At Bank (Coop Bank) Collection AC	1148509804000	1,714,447	1,840,146
Sub- total		2,960,751	2,706,818
c) Project Accounts			
Cash At Bank KCB (CLSG)	1266914587	15,175,172	-
Cash At Bank KCB(WSTF)-DTF	1282412965	-	853
Cash At Bank KCB(ESCROW ACCOUNT)	1315339897	927,319	
		16,102,491	853
d)Other Accounts			
Kenya Commercial Bank-Customer Deposit Account	1118358708	102,188	17,782,284
Cash At Bank (Equity Bank)-TWWDA payment Account	80290289364	-	22,031,657
Cash At Bank (Coop Bank)-County Settlement Account	1100509955300	-	1,979,596
		102,188	41,793,537
Grand Total		28,897,012	48,057,119

Notes to the financial statements (continued)

28. Ordinary Share Capital

	2023/24 FY	2022/23 FY
	Kshs	Kshs
Authorized:		
5,000 ordinary shares of Kshs.20 par value each	100,000	100,000
Issued and fully paid:		
5,000 ordinary shares of Kshs.20 par value each	100,000	100,000

During the close of 2023-24FY, the company transitioned from a company registered by guarantee to a company registered by shares fully owned by the County Government of Nyeri.

29. Retained Earnings

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

	2023/24 FY	2022/23 FY
	Kshs	Kshs
Brought Forward July 1	141,244,564	171,138,246
Revision due to TWWDA adjustment	-	20,488,542
Surplus (loss)	(44,543,002)	(50,382,224)
	96,701,562	141,244,564

30. Capital Grant

	2023/24 FY	2022/23 FY
	Kshs	Kshs
Balance Brought Forward July 1	9,951,039	8,201,900
Grants		2,004,294
Transfer of depreciation/amortisation from capital fund to retained earnings	(248,776)	(255,155)
Total	9,702,263	9,951,039

The movement on the deferred tax account is as follows:

Notes to the financial statements (continued)

	2023/24 FY	2022/23 FY
	Kshs	Kshs
Balance at beginning of the year	9,951,033	8,201,900
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	(248,776)	(255,161)
Balance at end of the year	9,702,257	9,951,033

31. Trade and Other Payables

	2023/24 FY	2022/23 FY
	Kshs	Kshs
Trade payables	-	1,297,997
Dues to related Parties	20,526,022	46,814,490
CLSG II-Conditional grant	15,174,319	-
Adjustments to TWWDA	-	(20,488,542)
Total	35,700,340	27,623,945

Aging Analysis for Trade and other Payables

	Insert Current FY	% of the total	Insert Comparative FY	% of the total
Under one year	23,891,773	100%	3,641,788	13.18%
1-2 years	11,808,567	0%	-	0%
2-3 years	-	0%	-	0%
Over 3 years	-	0%	23,982,157	86.82%
Total	35,700,340		27,623,945	

Notes to the financial statements (continued)

32. Refundable Deposits

	2023/24 FY	2022/23 FY
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	<i>Kshs</i>	<i>Kshs</i>
Balance Brought forward	27,781,284	25,982,159
Deposits for the year	1,297,500	1,816,625
Refund	-	(17,500)
Deposit for Tender sale	326,000	-
Total	29,404,784	27,781,284

Aging Analysis for Refundable Deposits

	Insert Current FY	% of the total	Insert Comparative FY	% of the total
Under one year	1,623,500	6%	1,816,625	7%
1-2 years	1,816,625	6%	1,748,820	6%
2-3 years	1,748,820	6%	2,076,816	7%
Over 3 years	24,215,839	82%	22,139,023	80%
Total	29,404,784		27,781,284	

33. Creditors, Accruals and Prepayments

	2023/24 FY	2022/23 FY
	Kshs	Kshs
Related Parties	-	10,454,808
Staff Costs	2,424,596	1,146,010
Creditors	24,944,135	13,582,353
Prepaid Accounts*	2,147,852	1,885,911
	29,516,583	27,069,082

Notes to the financial statements (continued)

	Insert Current FY	% of the total	Insert Comparative FY	% of the total
Under one year	27,746,374	94%	26,221,086	97%
1-2 years	922,213	3%	-	0%
2-3 years	-	0%	-	0%
Over 3 years	847,997	3%	847,997	3%
Total	29,516,583		27,069,082	

34. Taxation

	2023/24 FY	2022/23 FY
	Kshs	Kshs
Profit before Taxation	(43,660,974)	(68,315,348)
Tax at applicable rate 30%	(13,098,292)	(20,494,604)
Tax effect on expenses not deductible for tax	(3,929,488)	1,260,469
Tax effect on incomes not deductible for tax	(1,349,407)	(3,093,296)
Tax effect on Capital allowance	-	(2,194,904)
Tax on Interest Income	1,274,775	1,445,192
	1,274,775	1,445,192
Tax charge for the year	1,274,775	1,445,192
WHT on interest	(637,387)	(337,720)
Tax Paid	-	(447,559)
Total	637,387	659,913

The company during the period reported operating losses, despite this, there is surplus interest income derived from fixed deposits held with commercial banks. The interest income is subjected to tax at prevailing tax rates net of withholding tax.

35. Other Provision

		2023-2024	2022-2023
Provision for Audit Services 2023-2024		464,000	
Provision for Audit Services 2022-2023			464,000
		464,000	464,000

Notes to the financial statements (continued)

36. Notes to The Statement of Cash Flows

	2023/24 FY	2022/23 FY
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	-43,307,414	-48,937,033
Depreciation	3,953,823	3,906,494
Amortization	1,155,126	241,402
	-	
(Gain)/loss on disposal of property, plant and equipment	-38,198,465	-44,789,137
Operating profit/(loss) before working capital changes		
Working capital changes:	-620,846	-2,416,350
(Increase)/decrease in inventories	-38,009,418	-23,835,860
(Increase)/decrease in trade and other receivables	8,113,192	960,255
Increase/(decrease) in trade and other payables	-	-
Increase/(decrease) in retirement benefit obligations	3,771,352	1,799,125
Increase/(decrease) in Consumer deposits	-470,081	659,914
Increase/(decrease) in provision for staff leave pay	-837,387	-435,066
Cash generated from/ (used in) operation	-66,251,652	-68,057,119
(b) Analysis of changes in loans		
Balance at beginning of the year	-	-
Receipts during the year	-	-
Repayments during the year	-	-
Repayments of previous year's accrued interest	-	-
Balance at end of the year	-	-
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	43,087,600	20,000,000
Cash in hand	28,897,012	48,057,119
Balance at end of the year	71,984,612	68,057,119
(d) Analysis of interest paid		
Balance at end of the year (note 35(b))	-	-
Interest paid	-	-

Notes to the financial statements (continued)

Other Disclosures

37. Related Party Disclosures

County Government of Nyeri

The County Government of Nyeri is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Nyeri has provided full guarantees to all long-term lenders of the Company, both domestic and external. Other related parties include:

- The County Department in charge of Water
- County Government of Nyeri
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Others (specify)

Transactions with related parties

	2023/24 FY	2022/23 FY
	Kshs	Kshs
a) Sales to related parties		
Water sales to Govt. agencies	36,404,971	35,474,971
Total	36,404,971	35,474,971
b) Purchases from related parties		
Training and conference fees paid to govt. agencies	-	212,000
Purchases of electricity from KPLC	1,752,700	1,949,383
Levies by govt service providers	10,060,460	9,403,655
Total	11,813,160	11,565,038
b) Grants from the Government		
Grants from National Govt Agencies	-	2,004,525
Grants from County Government	-	5,493,682
Conditional Grant	15,174,319	-
Total	15,174,319	7,498,207
c) Key management compensation		
Directors' emoluments	3,229,246	2,616,862
Compensation to key management	10,517,688	8,913,600
Total	13,746,934	11,530,462

Notes to the financial statements (continued)

38. Financial Risk Management

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

(i) Credit risk

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

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

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 2024				
Trade Receivables	233,874,090	34,568,536	48,290,861	151,014,693
Other Receivables	-	-	-	-
Investments	-	-	-	-
Bank balances	71,984,612	71,984,612	-	-
Total	305,858,702	106,553,148	48,290,861	151,014,693
At 30 June 2024 (previous Year)				
Receivables	233,561,580	98,990,274	69,594,911	64,976,396
Other Receivables	2,859,186	2,859,186	-	-
Investments	-	-	-	-
			-	-
Bank balances	68,057,119	74,397,019	-	-
Total	233,561,580	98,990,274	69,594,911	64,976,396

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

Notes to the financial statements (continued)

Credit Risk (Continued)

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

adequate to cover any potentially irrecoverable amounts. The company has significant concentration of credit risk on amounts due from 2017.

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

ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June current year				
Trade payables	5,659,212	11,467,216	9,044,135	26,170,563
Current portion of borrowings	-	-	-	-
Provisions	464,000	-	-	464,000
Deferred income	-	-	-	-
Employee benefit obligation	2,424,596	-	-	2,424,596
Total	8,547,808	11,467,216	9,044,135	29,059,159
At 30 June previous year				
Trade payables	6,202,824	6,206,865	2,470,661	14,880,350
Current portion of borrowings	-	-	-	-
Provisions	1,571,468	-	-	1,571,468
Deferred income	-	-	-	-
Employee benefit obligation	1,146,010	-	-	1,146,010
Total	8,920,302	6,206,865	2,470,661	17,597,828

(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.

Notes to the financial statements (continued)

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

The company's Audit Department in charge of risk management is responsible for the development of detailed risk management policies (subject to review and approval by board Committee) and for the day-to-day implementation of those policies. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

a) 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 from interest rate movements on the company's deposits.

i) Management of interest rate risk

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

ii) 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 has been performed on the same basis as the prior 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.

iv) Capital Risk Management

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

	2023/24 FY	2022/23 FY
	Kshs	Kshs
Share Capital	100,000	-
Retained Earnings	96,667,776	141,244,564
Capital Grants	9,702,263	9,951,039
Total funds	106,470,039	151,195,603
Total borrowings	-	-
Less: cash and bank balances	71,984,612	68,057,119
Net debt/ (excess cash and cash equivalents)	71,984,612	68,057,119
Gearing	68%	55%

Notes to the financial statements (continued)

39. Contingent Liabilities

The company wishes to disclose that there are cases on-going at the court;

The company has been sued for compensation due to a landslide which occurred sometimes in 2022. The costs have been factored in the budget for the period. The amount of damages have in the past not been major and hence the company is not majorly exposed. Additionally the company has been taken to the labour court for non-renewal of a contract for a company employee. The case may be concluded in the subsequent financial period.

The company has also engaged a firm to appear and defend the company in both instances while the costs may not be above the threshold. No contingent liabilities have been recognised in the financial year with regard to either of the case.

40. Incorporation

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

41. Events After the Reporting Period

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

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.

Referen ce No. on the externa l audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.0 Long Outstan ding Trade and Other Receiva bles	The statement of financial position reflects trade and other receivables balance of Kshs. 120,868,815 which is net of provision for bad and doubtful receivables of Kshs.115,551,951 as disclosed in Note 24 to the financial statements. However, the receivables debt amounting to Kshs.204,977,504 relates to financial year 2021/2022 and earlier years and had not been collected as at 30 June, 2023. Further, detailed receivables aged analysis was not provided for audit review.	The company has instituted a debt management committee which meets periodically to follow up on laid strategies down to identify and categorise the long outstanding debts Customer identification surveys and GIS mapping to assist in locating the customers for follow up The company shall continuously enters into part payment agreements with customers to allow them pay by instalments	In progress	Continuous
3.0Unconfirme d Custom ers Deposit s' Balance	The statement of financial position and Note 31 to the financial statements reflect customers' deposits balance of Kshs.27,781,284 as at 30 June, 2023. However, the balance includes customers' deposits amount of Kshs.25,964,659 which has not been supported by the way of customer names, account numbers, meter serial numbers and location of installation. In the circumstances, the validity, accuracy and completeness of customers' deposits balance of Kshs.25,964,659 could not be confirmed.	The listing has been done, appendix attached	Resolved	3.0 Unconfirme d Customers Deposits' Balance

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)
4.1 Lack of Ownership Documents	The statement of financial position reflects property, plant and equipment balance of Kshs.23,066,288 as disclosed in Note 20 to the financial statements, which includes motor Vehicles/cycles valued at Kshs.954,471. Review of the records in support of this amount revealed that the Company operates four (4) motorcycles and five (5) motor vehicles of unknown value that were not registered in its name. In the circumstances, the accuracy and ownership status of motor vehicles and motorcycles valued at Kshs. 954,471 could not be confirmed.		Resolved	
4.2 Undisclosed Inherited Assets	The statement of financial position reflects property, plant and equipment balance of Kshs.23,066,288 as disclosed in Note 20 to the financial statements. Available information indicates that the Company inherited non-current assets including land and buildings from the defunct Tana Water Services Board. However, the assets have not been incorporated in these financial statements. Further, the balance excludes undetermined value of water metres which had been installed to the Company's customers. In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.23,066,288 as at 30 June,	The company has managed to identify and categorise all the assets according to their ownership, location and size. The company has since then written to the county government to seek guidance on how to go about the transfer process	In the process	As will be guided

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)
	2023 could not be confirmed.			
1.0 Unmetered Water Connections	Note 6 to the financial statements reflects operating revenue of Kshs.177,315,367 for the year ended 30 June, 2023. Examination of documents provided for audit revealed that the Company had a total of twenty-six thousand eight hundred and four (26,804) active connections as at 30 June, 2023 out of which four hundred and eighty-four 484 were unmetered. It was noted that all the customers who were unmetered were issued with estimated meter readings. In the circumstances, the Company's revenue may have been lost through the unmetered customers	The company has taken measure to arrest the situation by: Progressive reduction of unmetered by metering all new connection while identifying and metering flat rate connections where during the year the unmetered accounts have been reduced to 150 accounts as at September 2024.	In progress	
2.0 Non-Compliance with the Law on Staff Ethnic Composition	A review of personnel records revealed that as at 30 June, 2023 the Company had one hundred and twenty-four (124) staff members out of which one hundred and fifteen (115) or 93% of the total number of staff were members of one dominant ethnic community contrary to Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same	The company notes the disparity in ethnic balance. To this effect the company has embarked on advertisement for job openings in a national newspaper to attract applicants from diverse ethnic groups. During the 2021-22 FY, the company was able to competitively recruit a technical officer from a different ethnic group. See attached Appendix 4 on advertisement. The recruitments in the FY 2023/2024 were also competitively done by advertising in the Nation newspaper but the applications received were from locals.	Continous	

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)
	ethnic community. Further, during the year under review the Company recruited three (3) staff from the dominant ethnic community contrary to Section 65(1)(e) of the County Governments Act, 2012 which require that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty per cent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic Community in the County.			
3.0 Failure to Update Water Tariff Structure	The customer tariffs charged by the Company for billing water in the year under review were approved by Water Services Regulatory Board (WASREB) and gazetted through the Kenya Gazette notice number 7826 on 7 June, 2013, for the period 2012/2013 and 2013/2014 and has since not been adjusted and approved contrary to provisions of Section 4.2 of Water Services Regulatory Board (WASREB) tariff guidelines which require that the Water Service Providers (WSPs) shall develop the Tariff Adjustment Proposal in collaboration with the Water Services Board (WSB). When the WSB is satisfied that the Tariff Adjustment Proposal has been prepared in accordance with these Tariff Guidelines, the WSB shall submit the Tariff Adjustment Proposal to the Regulatory Board for analysis and approval.	The company's tariff has been approved by WASREB as per letter reference (WASREB/TARIFF/003 VOL.XXXIII (69). The only pending exercise is Gazetment of the tariff The company's tariff has been approved by WASREB as per letter reference (WASREB/TARIFF/003 VOL.XXXIII (69). The only pending excise is Gazetment of the tariff to legalise the notice to legalise the notice.	Resolved	

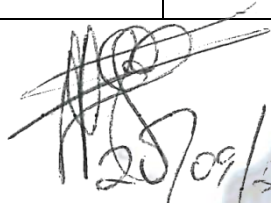
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.0.High Non-Revenue Water Threshold	During the financial year under review, the Company produced a total of 6,461,280 cubic meters(M³) of water out of which 4,128,699(M³) was billed (sold) to customers. The resulting difference of 2,332,581 M³ or approximately 36% represented non-revenue water(NRW), which is 11% over and above the allowable water loss threshold of 25% as per the Water Services Regulatory Board guidelines. In the circumstances, the high NRW is an indicator of inefficiency and ineffective use of public and water resources, which may negatively impact on the Company's profitability and ability to sustain service delivery. 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	The company has been grappling with high NRW both technical and commercial resulting in loss of funds. The company has adopted a short, mid and long term NRW Management plan that will reduce the water losses to manageable levels in subsequent financial periods. -In cause of the year, The company has competitively recruited an NRW officer who has formulated an NRW work plan to guide towards reduction -The company has continued to gradually replace dilapidated pipelines which are a major cause of leakages and bursts resulting in increased NRW. In the financial year, a major line along Mihutia-Rutune raod was replaced with quality HDPE pipes .The network which was initially comprised of three lines was merged into one which has increased efficiency and wiped out all illegal connections Improve water flow -The company has taken a DMA approach,We decided to work on small areas where we focus on it comprehensively by dealing with all metering issues, pipeline rehabilitation, GIS and mapping, customer engagement etc-then upon success, roll out the same to another area. In the current financial year, the focus is on Gakindu and Gikondi in Mukurwe-ni and Iriaini in Othaya. -Replacement of faulty meters: During the year the company	In progress	

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)
		undertook the initiative of replacing malfunctional meters that could not be serviced. The company has also received funding to replace water meters in Othaya urban from volumetric to velocity meters which are more efficient -Improvement of treatment centres: The company has a project in place to Improve Kaharo chlorination centre to a full treatment centre which will assist in reducing meter blockage by mucky waters during wet seasons		

Name: Moses N N Munyi

Signature.....

Managing Director



Date.....

Appendix II: Projects Implemented by the Company Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

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.)

Appendix III- Inter-Entity Confirmation Letter

Name of Transferring entity.....N/A.....

Name of Beneficiary entity.....N/A.....

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30th June (Current FY)					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Total					

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department - Disbursing Entity:

Name Sign Date

Head of Accounts Department - Beneficiary Entity:

Name Sign Date.....

Appendix IV: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Appendix V: Reporting Disaster Management Expenditure

Date:

Entity

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

(Attach forms from each transferring Government entity.)

Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry/County department of Water	2/05/2024	Recurrent	15,174,319	-	-	15,174,319	-	-	15,174,319
Ministry/County Department of water.	-	Development	-	-	-	-	-	-	-
USAID	-	Donor Fund	-	-	-	-	-	-	-
name of Development partner/County department etc.	-	Direct Payment	-	-	-	-	-	-	-
			-	-	-	-	-	-	-
Total			15,174,319	-	-	15,174,319	-	-	15,174,319



**OTHAYA-MUKURWEINI WATER AND
SANITATION PLC**