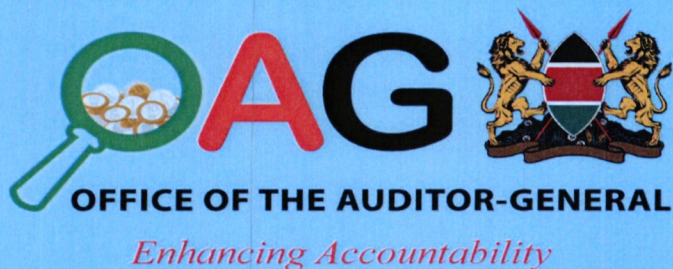


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REPORT

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ON

OTHAYA MUKURWEINI WATER
SERVICES COMPANY LIMITED

FOR THE YEAR ENDED
30 JUNE, 2022

PAPERS LAID	
DATE	23.03.2023
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COMMITTEE	—
CLERK AT THE TABLE	Abdirahman Maalim .



OTHAYA MUKURWEINI WATER SERVICES COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022



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

Othaya Mukurwe-ini Water Services Company
Annual Report and Financial Statements for the year ended June 30, 2022

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I. KEY ENTITY INFORMATION

Background information

The Othaya Mukurweini Water Services Company Limited was established under guarantee in the Companies Act 2015. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya and has branches in Othaya and Nyeri.

Principal Activities

The principal activity of the Company is to provide water services to residents of Mukurweini and Nyeri South Sub-Counties.

Directors

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

1. Mr. Moses N N Munyi	Managing Director	Appointed on 01/09/2019
2. Mr. Arthur G Mukira	Board Chairman	Appointed on 26/06/2018
3. Mr. Grace G Iregi	Director	Appointed on 26/06/2019
4. Ms Rachel Muchunu	Director	Appointed on 26/05/2017
5. Mr. Samuel G Ndiritu	Director	Appointed on 18/06/2018
6. Mr. Samuel Kago	Director	Appointed on 18/06/2018
7. Mr. John W Nyaga	Director	Appointed on 27/07/2021
8. Mr. Benjamin Maingi	Director	Appointed on 27/07/2021
9. Ms. Pauline Ndegwa	Director	Seconded from Nyeri County Govt
10. Ms. Hannah Maranga	Director	Seconded from Nyeri County Govt

Corporate Secretary

GIKUHI KIANA & COMPANY.

P.O. BOX 1271 – 10100

NYERI

Corporate Headquarters

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

1. 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 Auditors

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

II. THE BOARD OF DIRECTORS

Ref	Directors	Details
1.	 Mr. Arthur Mukira,	He is the Chairman to the board representing Chinga tea factory and a member of the Finance and Administration committee. He holds a B.A degree from USA he has associates in arts Marketing and retailing from Strayer college, an established farmer and former Chairman Chinga Tea factory. He has been a member of board of governance for Chinga Boys, Kiamuya and Kariko secondary He has extensive knowledge in marketing, debt collections, customer relations & environmental management acquired while working with Crown Paints as the manager in charge.
2.	 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.
3.	 CS Richard Kiana Gikuhi	He is a member of ICS(K) registration Certificate No R/NO 285 from ICPSK. He is secretary for various public institutions and a member of FKIM. He holds other directorships in public institutions.

4.	 MS. Rachel Muringi	She is a businessperson holding a leadership position in Nyeri south sub-county. She is an astute businessperson holding various investments in the county.
5.	 Samuel Ndiritu Gichuki	He is a director appointed to represent special groups. He holds directorships in various public entities in Nyeri South sub-county and is an experienced business man in Nyeri south sub-county. He has certifications in Leadership for change trainer of trainers, and cooperative administration He exited the company by retire at an AGM held on June 2022
6.	 Samuel Kago Githaiga	The director has built his career in the construction industry to the level of site supervisor. He has been a board chair in various education and other institutions spanning years and sub county representative in alcoholic regulations board. He was elected to the board at the 2018 AGM.

7.	 Ms. Hannah Maranga	She is the Chief Officer Lands, Housing, physical planning and urbanization in Nyeri county Government. She is a registered Physical planner and a senior government officer with over 20 years' experience in land use management. She has held various positions for community development both in the government and private sector. She was seconded from the county government to join the board. She exited the county Government of Nyeri and consequently retired from Omwasco Board.
8.	 Ms. Pauline Ndegwa	She is the chief officer- Water and Irrigation Services with Bachelor of Arts (Cultural Studies Moi University) 2003 Training she has held various other positions being Chief Officer Governor's office 2018-2019, Chief Officer Public Service Management 2018, Sub County Admin 2015-2018, Ward Administrator 2014-2015, Project Director - Compassion International Kenya 2008- 2014, Social Worker - Compassion International Kenya 2006-2008, BOM teacher Bingwa secondary school 2005-2006 and BOM Teacher Witima Secondary school, Othaya 2003-2004.
9.	 Grace W 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.

10.	 Eng. John W Nyaga	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.
11.	 Eng. Benjamin Maingi	The director has many years' experiences in infrastructure projects, and management in both 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.

III. MANAGEMENT TEAM

Ref	Management	Details
1.	 Moses N N Munyi	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.
2.	 Richard Kiana Gikuhi	Company Secretary He is a member of ICS(K) registration Certificate No R/NO 285 from ICPSK. He is secretary for various public institutions and a member of FKIM. He holds other directorships in public institutions.
3.	 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.

Ref	Management	Details
4.	 Lydia Nyamweru	Internal Auditor The officer is charged with key functions of audit and reporting on control, risk management and operationalizing of the audit charter at OMWASCO. She holds Bachelor of Arts (Economics), CPA(K) holder and a member of ICPAK. She exited the company at the close of the year 2022
5.	 Duncan Nderi	Technical Manager The officer is responsible for production, provision and management of water and distribution system for Othaya. He is a holder of BSC in Project planning, diploma water engineering.
6.	 Mary W Kibandi	Human Resources and Administration Man 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.

IV. CHAIRMAN'S STATEMENT

I wish to present the 2022FY Annual Report, which shows our journey throughout that year. The company has been on a recovery plan in the period. Together with measures taken to manage high NRW at GAKINDU and Mumwe, as well as an aggressive campaign to replace faulty meters, the company has seen marginal growth in revenues and increase in water available for supply at Mukurweini area.

Implementation and Review of The Strategic Plan

The company focused on our journey towards having at least 37,000 connections. We closed the year at 35,246 connections up from 32,813 in 2021. The company still aims at crossing beyond the 37,000 connections to fully stamp our place as a large Water Service Provider. The revised strategic plan was to run up to and including June 2022 and coincided with the close of the financial year. The board approved engagement of a consultant to assist in developing a new 5-year strategic plan that will guide the company into the next five-year cycle. This is in line with the board commitment to ensure a company operation mirror the dreams of the organisation in the next planning face and is aligned to the national goals.

Conducting our Business Responsibly

The company prides itself with the history of conducting its business responsibly. One of the by-products of water use from our clients' premises is waste water or sewage. If not handled well, waste water can be a nuisance and harmful to our environment. We partnered with the County Government of Nyeri (which provided us with land) and Water Sector Trust Fund in development of a Decentralized Treatment Works (DTF) to serve Mukurweini Town and the environs which at the close of this year (2020) was at formative stages of construction. We also partnered with locals in Mukurweini to construct 202 toilets improved toilets for the needy homes. The DTF has been concluded and the company is utilising the facility to manage waste at Mukurweini. Further the company received an exhauster truck in the same which will be used to ferry waste from offsite to the treatment facilities at Othaya, Mukurweini and other environs. The company also supported a needy student from Othaya with a one-year school fees paid to Muirungi Secondary school.

Stakeholder Engagement and Good Governance Practises

We believe that regular engagement, dialogue with and feedback from the stakeholders is important to the success of the company. Understanding stakeholders' views informs and assists our decision-making processes and helps drive progress towards the achievement of our aims, objectives and strategy. At the time, the Government had banned all public meetings and there was a nationwide restriction on movement. Annual General Meeting was also held in June 2022 the year and two Directors retired by rotation. One of the directors was eligible for re-election and was elected unopposed.

The board had a good view of the company operations through various board committees and scheduled board meetings.

The board as a policy declare at every meeting any interest to the agenda tabled. No interest was registered during the 2022FY year. The company also through due process was able to fill the gap occasioned by the retired director.

During the same period, a director seconded by the Nyeri county government retired and was duly replaced by county appointment.

In the same year the board undertook the inaugural board evaluation and observed the challenges faced in governance as areas for improvement.

The board during the year reviewed policies cutting across various operational areas including HR, pro-poor, GIS and procurement.

Conclusion

In conclusion I wish also wish to appreciate the support we have received overtime from the National Government especially through Tana Water Works Development Agency, WSTF, our County Government of Nyeri, our consumers as well as our stakeholders for the ongoing support.

Finally, for the period I have served as Chairman of the board, OMWASCO has progressively delivered on its strategy. While it hasn't been without challenges, we are now in the strongest position that I have seen, which is also reflected in the increased turnover. We all are committed to continuing to create substantial value for our stakeholders, and I look forward to continual growth of the company.

I thank you all.



Arthur G. Mukira
CHAIRMAN

V. REPORT OF THE MANAGING DIRECTOR

INTRODUCTION

The chairman of the Board, BOD, representatives of the National and County Government and stakeholders it with great pleasure that I present the report of the company performance for the year ended June 30th 2020.

OPERATIONS

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

CUSTOMER GROWTH:

Within the period under review, our customer base grew by 1405 new consumers. We closed the year with a total number of registered connections at 35,246 (2021:32,813)

Of the new connections, 159 were sewer accounts within Othaya Town while the other 2433 were water accounts spread across our area of supply.

The comparative performance for the last one year is as follows:

ITEM	2018/19	2019/20	2020/21	PERCENTAGE CHANGE
Sewer connections	658	794	953	21
Water connections	30,750	32,019	34,293	4
Total registered connections	31,408	32,813	35,246	5

Revenue growth

The year under review, the total turnover was Kshs 171,553,803 compared to Kshs 155,853,191 in the previous period. This represented a 3% growth in gross income.

The year was generally very wet within the first nine(9no) months which affected our water sales. Basically, when it's wet most of our consumers tend to rely on water harvested from their roof catchments and this has a significant impact on our sales.

For the last quarter of the year, Corona Virus Disease 2019(COVID-19) was declared in the country. The disease heavily affected the economy as a whole which in turn affected us as follows:

Closure of the institutions: As you know most of our revenue is generated from water sales to institutions. The government of Kenya closed the institutions especially schools from mid-March 2020. This meant that we were not able to sell water to these institutions as they were closed.

Government directives to WSPs: The company received directives from the Government not to disconnect water accounts for non-payment for the first three months of the COVID-19. This was interpreted by a section of our clients to mean water was 'free' hence for the last three months of the quarter, our revenue collection performance was negatively affected.

Slow economy: within the COVID-19 period, the economy was generally weakened with many commercial accounts performing below their normal scale due to the restrictions of movement imposed by the government and also the early closing hours, this had a big impact on the company

especially hotels and bars. Many consumers also complained of lack money in their pockets. The company was a beneficiary of an economic stimulus from WSTF amounting to Kshs31Million. This was a great boost to the company that was experiencing strained cashflows during the year.

DEVELOPMENT

ICT developments: During the year under review, the company continued to invest in billing software called pick pay ERP system. The system enabled us to have web-based operations and integrate several key company operations and processes together, these are:

- 1) Integrated mobile meter reading
- 2) Integrated cashless system
- 3) Human Resource operations such as pay roll and staff leave management
- 4) Procurement and Accounts operations
- 5) Customer care module

This has improved the reliability of our data, boosted our efficiency and effectiveness as well as morale of our staff.

Other Developments-Sanitation matters

Within the period under review and in partnership with Tana Water Works Development Agency (TWWDA), we began the last mile sewer project expected to expand sewer system within Othaya CBD town.

Within the same year, to also ensure the residents of Mukurweini have a place they can dispose their wastewater, we partnered with Water Sector Trust Fund to construct or upscale at least 202 modern toilets within Mukurweini Town and Gakindu market. We made sufficient progress in the construction of a 50cubic meter Decentralized Treatment Facility to serve Mukurweini Town and the environs.

CHALLENGES

NRW: 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) The generally old infrastructure
- 2) The expansion of road networks
- 3) The old meters.

Landslides: The company also was affected by major landslides within the Aberdare Forest (Zuti) which affected water supply to Othaya Town for about 10 days before water flow was normalized.

Solutions

- a) We have also started the exercise of developing a comprehensive NRW reduction plan and intend to have it as part of the revised strategic plan to guide the company in its journey towards reduction of the losses.
- b) We now have a continuous meter replacement strategy that is supported by our annual budgets
- c) We continue to sensitize our staff on quick response to bursts and leaks this matter as they are key in addressing the water loss problem. We have now a Rapid Response Team that addresses huge bursts.
- d) We are engaging Safaricom and in a few weeks we will be releasing a toll-free number to enhance and promote reporting of leaks and bursts by members of the public.

- e) We will continue engaging the National and County Governments during road works to minimize destruction of the pipeline infrastructure and or interruption of water supply.
- f) We intend to address the above two issues through a customer Identification Survey exercise in the next financial year
- g) On Landslides we are integrating Risk Management into our day-to-day operations as well as developing a Business Continuity Plan to mitigate the effects of natural calamities. This is going to form part of our Strategic Plan 2022-2027.

Conclusion

I wish to thank the County Government of Nyeri for providing conducive and enabling environment to serve our clients.

We make specific note of WSTF for the operating grant issued to the company during the financial year.

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.



Moses N.N. Munyi
Managing Director

VI.STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government company's performance against predetermined objectives.

OMWASCO has 4 strategic pillars and objectives within its Strategic Plan for the FY 2017- 2022 addressing the company core functions. These strategic pillars are as follows:

KRA 1: Water Capacity and Infrastructure KRA 2: Customer Focus

KRA 3: Financial Sustainability

KRA 4: Institutional Capacity

OMWASCO develops its annual work plans based on the above four 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 2020/2021 period for its four strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key	Performance Indicators	Activities
Pillar 1: Water Capacity and Infrastructure	- To develop, improve and maintain access to sufficient and high quality water service - To facilitate improvement, maintenance and expansion of Infrastructure	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 Focus	- To increase the customer base - To increase customer satisfaction	- Increase active connection from 18,000 active connections to 20,000 connections by 30th June 2021 - Gross billed revenue to be an average of Kshs 14.7m by 30th June 2020	Connect 2,000 new customers to the company	- Active connections increased to 19,949 caused by 1,469 new connections installed in the year, making active connections as at the close of the financial year. - Consolidated average revenue from water & sewer is

Strategic Pillar	Objective	Key	Performance Indicators	Activities
				Average Billed revenue for the period settled at 14.8 up from 12.6M in the previous year.
Pillar3 :Financial Sustainability	• To improve efficient supply of water. • To improve timely and accurate billing of water & Sewerage • To improve efficient collection of revenue • To improve capital based financing	• The projected income and expenditure statement based on the principal assumptions above indicates an income of Kshs. 220,565,541 against an expenditure of Kshs.217,004,793 • The billing for water will improve to an average of Kshs.12.8 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 19,500 accounts were billed on average monthly basis • The company collected a consolidated income of Kshs215,763,030 • monthly collections at the company add up to 98% collection efficiency. • 167 commitments valued at over 12m were made out of which Kshs3.1M was serviced in the period
Pillar4 :Institutional Capacity	• To strengthen human capital • To promote good corporate governance • To integrate ICT in OMWASCO operations • To operationalize	• 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	• 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	• 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

Strategic Pillar	Objective	Key	Performance Indicators	Activities
	policies to address cross cutting issues in compliance with relevant acts • To operationalize policies to address cross cutting issues in compliance with relevant acts	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.	review and Debt management proposal.	and culture change. • The management tabled for Board approval revised ICT manual, Procurement and disposal manual, NRW manual and Pro-poor manual. • The company internally is in the process of carrying out a tariff study and submitted a WASREB tariff proposal together with the study.

VII. CORPORATE GOVERNANCE STATEMENT

Board meetings 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 exercise the governance functions. OMWASCO is committed to ensuring compliance with the provisions of the water Act 2016 and the Service Provision Agreement signed with Tana Water Works Development Agencies and its successor, the County Government of Nyeri and other regulatory and supervisory corporate governance requirements. During the year the company pursued and was issued with interim license by WASREB, that will guide the company to achieve the mandate set out as license conditions. In line with the corporate governance guideline requirements, the company board during 2021-22 financial year the board held twelve meetings and board attendance was as follows;

DIRECTOR NAME	NO SCHEDULED OF BOARD MEETING	MEETING ATTENDED
i. Mr. Moses N N Munyi Managing Director	12	12
ii. Mr. Arthur Gachugi Mukira Board Chairman	12	12
iii. Mr. Samuel Gichuki	12	12
iv. Ms. Grace Iregi	12	12
v. Ms Rachel Muchunu	12	11
vi. Mr. Samuel Kago	12	12
vii. Eng. Benjamin Maingi	12	10
viii. Eng. Wanjau Nyagah	12	12
ix. Ms. Hannah Maranga	12	2
x. Ms. Pauline Ndegwa	12	7
xi. Mr. Vincent Kachi-	12	3

- **Succession Plan:** during the financial year ended the board in exercise of its mandate and in establishment recognizes the value created by inculcation a culture of stability at the company in the achievement of the strategic goals of OMWASCO. To effectively plan and execute a seamless implementation of the board mandate, the board in the financial year implemented a number of

measures including; NRW review, Review of Memorandum of Association, Articles of Association, directors' remuneration review, board retirement and Annual General Meeting.²

- **Company performance**

The board shall ensure that:

1. The company adheres to minimum service level guarantee in the Service Provision Agreement and produces quarterly reports on those indicators
2. The company issues a performance guarantee as advised by WASREB to ensure that the specified risks are covered.
3. 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 and met five times to deliberate and make resolutions on general business of the board. The board had additional 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 as follows; Special full board County M&E report review and Special full board meeting with company secretary.

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 23, 2022 after adhering to the due process. The review was sanctioned by the stakeholders at an Annual General Meeting. The Internal auditor of the company resigned and the company advertised and filled the position competitively.

During the year the board undertook a review of policies to enable structured running of the organisation including Review of the NRW policy, ICT policy, procurement and disposal policy and Pro-poor policy document.

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 one of the directors was 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. To effectively equip the board in its mandate, the company during the year partially assisted by TWWDA undertook a training on effective board management.

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, 2022 there was no interest admitted in 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 to 1.5% of the O&M costs. During the year the board proposed a review of the allowances due to the members and proposed an introduction of Chairman Honoraria to help the company execute its mandate. During the year costs associated with board amount to Kshs3.8M which is 2% of the O&M costs. The board will continue to maintain all costs within the capping costs associated with the company.

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 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.

VIII.MANAGEMENT DISCUSSION AND ANALYSIS

• Operational and Financial Performance 5yrs

The company has over the five years experienced an increase in gross revenue notwithstanding the harsh economic environment aggravated by Covid 19 in the from 2019. This has enabled the company maintain economic a stable operating environment. The table below shows a comparative company growth.

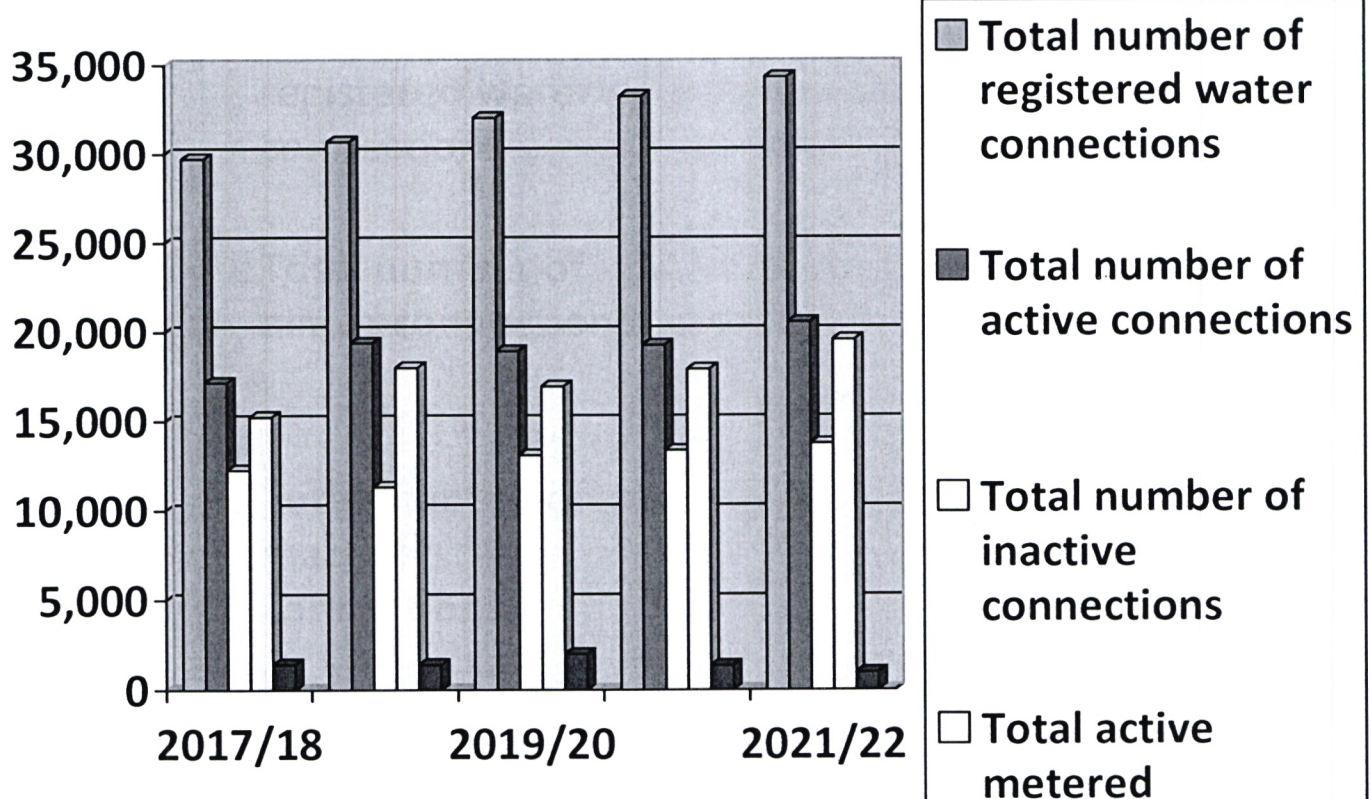
NOTE	2017/2018 FY	2018/2019 FY	2019/2020 FY	2020/2021 FY	2021/2022 FY
Operating Income	136,981,496	155,853,191	148,725,142	155,946,378	168,653,368
Grants					31,692,078
Interest incomes	833,073	994,169	1,357,757	2,867,007	2,900,435
Operating Expenditure	128,850,852	137,855,017	137,933,222	158,301,093	203,521,964
Taxation	249,922	396,184	2,257,895	860,102	870,131
Surplus (deficit)	8,713,795	18,596,159	9,891,781	-347,810	(1,146,213)

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• **Customer Growth**

The company has experienced growth in customer connections over the five-year period as per the table below. The company is on target to join the Large WSP category in customer connections per table below.

DETAILS	2017/18	2018/19	2019/20	2020/21	2021/22
Total number of registered water connections	29,723	30,692	32,019	33,225	34,294
Total number of active connections	17,151	19,389	18,930	19,274	20,551
Total number of inactive connections	12,253	11,303	13,089	13,361	13,743
Total active metered connections	15,229	17,994	16,936	17,920	19,570
<i>Total active un-metered connections/flat rate</i>	<i>1,421</i>	<i>1,395</i>	<i>1,994</i>	<i>1,354</i>	<i>981</i>



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Key Projects or Investments

During the year the company invested in the following major projects

NO	PROJECT	DESCRIPTION	VALUE
1.	Rehabilitation of Service lines at Othaya and Mukurweini	The company during the year rehabilitated various lines affected by road grading at Othaya and Mukurweini	4,653,101
2.	Office equipment	The company procured ICT enhancement equipment including, printers, laptops, iPad, TV screens and surveillance cameras.	2,925,061
3.	Procurement	The company procured 5NO motorbikes to ease employee movement and hence services	615,000
4.	Office and other tools	The company procured Office furniture, tent, Safe and games equipment.	1,136,185
5.	DTF construction works	The company funded by WSTF embarked on construction of DTF to enable waste management in Mukurweini. The project is continued implementation at a cost of Kshs7,682,332. The DTF is completed and being utilized	7,682,332
6.	Ngaku 90mm Pipe extension at Thiha Zone Thangathi (4500 meters)	The project involved pipeline extensions to lower parts of Mukurweini with HDPE class pipes	1,347,512
7.	Mukurweini rehabilitation	The project involved replacement of existing lines with HDPE class pipes, meter relocation and bucket meter test financed by internally generated funds. Mutitu 32mm Matuto pipe extension in Thiha zone	331,212

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• **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 organization. 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 utilization through Proper annual work plans & budgets • Documentation and reporting on resource utilization • 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 • Installation of Pressure Reducing Valves • Timely repair of leaks
(v)	Wildlife menace	Low	• Engage KWS • Reroute pipelines

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(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 Management Authority
(viii)	Climate Change	High	• Build storage facilities • Participation in Conservation of the environment • Create public awareness
(ix)	Corruption	High	• Good corporate governance • Building strong ethical practices • Enforce/ invoke the law
(x)	Irrigation, boreholes and wells	High	• Creation of public awareness • Provision of reliable treated water supply.
(xi)	Quality risk	medium	• Specification • Reporting & Inspections • Monitoring
(xii)	Safety of valves installations	Medium	• Secure the valves by cementing. • Sensitize the community on the need of ownership
(xiii)	Non-delivery of goods risk	Low	• Enhance inspection committee • Fill the bin card immediately after issue and delivery of items • Stores management system
(xiv)	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
(xv)	Indiscipline	Medium	• Team Building • Warning letters • Use of Disciplinary procedures • Evaluation of performance

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(xvi)	Communication breakdown	High	• Enhance communication • Regular open staff meetings • Cultivate the good culture
(xvii)	Evaluation risks	Medium	• Set the performance targets
(xviii)	Virus, hacking, cybercrime	High	• Antivirus, restricted administration rights • Remote backup
(xix)	Burglary of offices	Medium	• Install CCTV • Insure office • Fencing of offices
(xx)	Fire outbreak	Medium	• Insurance • Install fire extinguishers, water Bowsers & Hydrants • Smoke detectors • Trap doors
(xxi)	Legal and compliance risk	High	• Compliance • engage legal service
(xxii)	Covid 19 Pandemic	High	• Comply With covid prevention measures • Review work conditions for high-risk staff • align working office with acceptable OSH requirements

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

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.

• **Review of the Economy,**

The company registered and domiciled in Kenya under the company act to offer water and sewer services as an agent of the Nyeri County Government. 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. According to a new progress report launched in August 2021, there is 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. The Inaugural Climate Action 2022 organized by Eldoret Water and Sanitation Company (ELDOWAS), took place in April 2022. A first of its kind, the Conference brought to the fore the adverse effects of changing climatic conditions and effects on water sources and supply.

The sector has also faced economic hardship arising from the impact of Covid-19 pandemic and utilities received support under the Conditional Liquidity Support Grant (CLSG) Programme which was operationalized in April 2021. Through the Ministry, the World Bank allocated Kshs. 6.9 billion to provide short-term liquidity support to WSPs to maintain operations and service levels during the COVID-19 crisis. The second phase of the support is focused on financial recovery. To support this process, capacity building workshops were undertaken. Participants included Senior Management teams from utilities drawn from over 21 Counties. An analysis conducted between May 2021 and December 2021 showed there was an overall improvement in operational cost coverage ratio by 2% in 77 sampled water utilities attributed to CLSG support.

The company in the period is learning the lessons relating to economic impact arising from ravages of COVID-19 pandemic is that:

- Liquidity support in form of operating grant greatly impacted the company cashflows and enabled continued operations despite of interruptions due to business closure.
- The services provided by WSPs are key in any public health emergency.
- The guidelines issued by the government requiring sustained water services and eliminating shut offs for unpaid bills, will result in delinquencies mainly from high unemployment rates, reductions in non-residential water demands and associated revenues offset by increases in residential consumption and reduced customer growth.
- In view of the advent of COVID-19 in mid-March 2020, the Government of Kenya requested citizens to adhere to guidelines on handwashing, hygiene and social distancing. To support the prevention and containment of the pandemic in these areas, the government issued a directive and pronounced measures requiring public Water Services Providers (WSPs) to ensure continuous and accessible supply of water and hygiene services.
- The ministry of water through has engaged the company to participate in development of key projects to enhance its water capacity by participating in the development of National Water and Sanitation Investment Plan (NAWASIP) program.

Changes in global programs have greatly increased cost of inputs resulting in increase in costs of inputs and materials

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• **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 34,294 connections covering a total of 123458 in population.	79%.
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 93%. We shall endeavour to maintain high water quality standards on all water supplied to our system.	93%
Hours of Supply	Weighted average of all registered zones, for water supplied throughout the financial year.	23 hours
Personnel Expenditure as a Percentage of O&M Costs	Sum of personnel expenditures incurred during the reporting period compared with the Total O+M as a percentage	44%
Operation and Maintenance Cost Coverage	IT 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.	90%
Revenue Collection Efficiency	This comprises the total of all bills on water and sewerage services during the reporting period and total billing for other services.	104%
Non-Revenue Water	NRW comprises of water from Unauthorized 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	42%
Metering Ratio	(Total number of active metered connections/Total number active of connections) *100	95%
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 is in the process of developing a new strategic plan to guide the company for a 5-year cycle and this will inform the strategic direction of the company. The company has developed various proposals for the construction of a full treatment facility at Kaharo and Kihuri.

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IX. 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 four pillars: putting the customer/Citizen first, delivering clean water services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

- **Sustainability strategy and profile -**

The company makes policies in line with the internal and macroeconomic business environment. 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. During the year the company focused on staff capacity building, board training and last mile connectivity of sewer network at Othaya.

- **Environmental performance**

The company has focused on environmental conservation by a plan to plant 5,000 trees annually. The company has a target to increase sewer connections in Othaya urban and also makes it possible to use exhauster services by construction of a DTF facility in Mukurweini in partnership with Water Sector Trust Fund (WSTF). During the period a total 83 of sewered connections were installed thereby increasing sewer treatment. The company further received and rehabilitated an exhauster truck from TWWDA to enable the company increase the sewerage coverage to areas away from the established sewer reticulation network. The company treatment suffers from high COD/BOD during the dry seasons due to insufficient sewer to treat and accumulation of sludge at the maturation ponds. The company has been funded by the ADB last mile project to construct additional sewer lines and drying bends which is currently ongoing. This will help improve sanitation in future while giving the company additional revenues.

- **Employee welfare**

The company HR manual is dynamic to allow competitive recruitment of staff. During the year the company competitively advertised to fill the position of internal auditor, on-revenue officers which were filled. The company management comprises three men and two ladies. A review of the existing HR manual was conducted in the year. The company undertook continued staff capacity building by training of staff in cross cutting issues. The organization policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA) is currently under implementation. The company current establishment has men and ladies.

- **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 boasts of a strong SACCO and Welfare team focused on the social welfare of the staff. There are systems in place to enable the company staff access credit from the financial partners including agreements with SACCOs, and commercial banks.

- **Community Engagements-**

During the year the company undertook the following CSR activities.

a.	Drug and substance awareness program support	10,000
b.	Water bill for Kanunga and Githagara Primary schools	483,839
c.	Water bills for CSR Accounts	24,339
d.	Cerebrated customer services week at Githungungu primary school	221,640

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X.REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the company's affairs.

i) Principal activities

The principal activities of the Company are to provide water and sanitation services to residents of Mukurweini and Nyeri south Sub-Counties.

ii) Results

The results of the company for the year ended June 30, 2022 are set out on page 1 Below is summary of the profit or loss made during the year.

	2021/2022	2020/2021
Total Income	203,245,881	158,813,385
Total Operating Expenses	203,521,964	158,301,093
Net surplus after Taxation	(1,146,213)	(347,810)

iii) Dividends

The company registered by guarantee operates with a non-profit orientation and the company does not pay dividends.

iv) Directors

The members of the Board of Directors who served during the year are shown on page 4. In accordance with Regulation 47 of the OMWASCO Articles of Association, Mr. Samwel Gichuki and Ms Rachel Muchunu retire by rotation. Mr Gichuki have served full term and is not eligible for re-election, Ms Muchunu was eligible and was re-elected at an AGM held in June 2022.

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.

By Order of the Board

Richard K. GIKUHI
Name..... Signature..... Date.....
Corporate Secretary



07/02/2023

Othaya Mukurwe-ini Water Services Company
Annual Report and Financial Statements for the year ended June 30, 2022

XL STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Company 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 period ended on June 30, 2022. This responsibility includes:

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

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

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

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

Approval of the financial statements

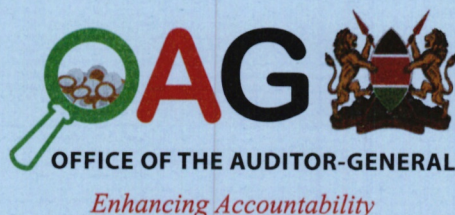
The company financial statements were approved by the Board on **September 9, 2022** and signed on its behalf by:

Signature.....
Name: Arthur G Mukira
Chairperson of the Board

Signature.....
Name: Moses N N Munyi
Managing Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON OTHAYA MUKURWEINI WATER SERVICES COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Othaya Mukurweini Water Services Company Limited set out on pages 1 to 41, which comprise the statement of

financial position as at 30 June, 2022 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 the Othaya Mukurweini Water Services Company Limited as at 30 June, 2022, 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 Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.169,101,123 which is net of provision for bad and doubtful receivables of Kshs.71,095,190 as disclosed in Note 23 to the financial statements. However, as previously reported, receivables debt amounting to Kshs.209,487,318 relates to financial year 2020/2021 and earlier years and had not been collected as at 30 June, 2022. Further, the provision for bad and doubtful debts made by the Management of Kshs.71,095,190 appears inadequate considering the large debt balance and the long period of time that the debts have been outstanding.

In the circumstances, the validity, accuracy and recoverability of trade and other receivables amount of Kshs.169,101,123 could not be confirmed.

2. Long Outstanding Lease Fees

The statement of financial position reflects creditors, prepayments and accruals balance of Kshs.77,568,632 which, as disclosed in Note 29 to the financial statements includes accrued related party balance of Kshs.57,539,050. However, as previously reported, the latter balance includes lease fee amounting to Kshs.44,470,699 owed to Tana Water Services Board for the financial years 2018/2019 and earlier periods that had not been remitted as at 30 June, 2022.

In the circumstances, the validity, accuracy and completeness of creditors, prepayments and accruals balance of Kshs.77,568,632 as at 30 June, 2022 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Othaya Mukurweini Water Services Company Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in

Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Issues

The progress on follow up on Auditor's recommendations section of the financial statements reflects issues raised in the previous year's audit report that remain unresolved as at 30 June, 2022. No satisfactory explanations were provided for not resolving the issues.

In the circumstances, the audit issues remained unresolved.

Other Information

The Directors are responsible for the other information, which comprises Key Company Information, Chairman's statement, Report of the Managing Director, Corporate Governance Statement, Management Discussions 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 auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of Ethnic Diversity

As previously reported, review of personnel records revealed that the Company has ninety-three (93) staff members out of which eighty-seven (87) or 94% 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 ethnic community.

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

2. Personnel Cost in Excess of the Recommended Threshold

The statement of profit or loss and other comprehensive income reflects personnel costs of Kshs.76,755,136 as disclosed in Note 11 to the financial statements, representing 37.7% of the total expenditure as at 30 June, 2022. However, as previously reported, this ratio is higher than the limit of 35% as recommended by Section 3.9 (10) of Water Services Regulatory Board (WASREB) Corporate Governance Guidelines, 2018 for large companies where the water service provider is categorized.

In the circumstances, the excess personnel costs may impact negatively on the Company's profitability and sustainability of services if measures are not put in place to contain the cost within the acceptable levels.

3. Failure to Update Water Tariff Structure

The customer tariffs charged by the Company for billing water in the year under review were approved by WASREB and gazetted through the Kenya Gazette Notice Number 7826 on 07 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 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.

In the circumstances, the tariff levied may negatively impact on the Company's profitability and sustainability of services.

4. 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 3,919,580 M³ was billed (sold). The difference of 2,563,580M³ or approximately 39.7% represented Non-Revenue Water (NRW), which is 14.7% over and above the allowable water loss threshold of 25% as per the Water Service 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.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015 I report based on the 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 my audit.
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those books; and
- iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015 and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the applicable basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Managements' use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 February, 2023

Othaya Mukurwe-ini Water Services Company
Annual Report and Financial Statements for the year ended June 30, 2022

**XIII.STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME FOR
THE YEAR ENDED 30 JUNE 2022.**

	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenue			
Operating Revenue	6	165,686,654	147,242,179*
Grant Income	7	31,692,078	5,209,839
Other Income	8	2,966,714	3,494,360*
Finance Income	9	2,900,435	2,867,007
Other gains/(losses)	10	-	-
Total Revenue		203,245,881	158,813,385
EXPENSES			
Staff Costs	11	76,755,136	70,737,660*
General & Operating Expenses	12	79,246,549	47,575,140*
Board Expenses	13	4,956,004	2,337,600
Water Supply Operation and Maintenance	14	34,902,186	30,412,215*
Depreciation and Amortization expenses	15	7,662,089	7,238,478*
Finance Costs	16	-	-
Total Expenses		203,521,964	158,301,093
Profit/(Loss) Before Taxation		(276,083)	512,292
Income Tax Expense/(Credit)	17	870,131	860,102
Profit/(Loss) After Taxation		(1,146,213)	(347,810)
Earnings Per Share – Basic and Diluted	18	-	-
Dividend per share	19	-	-
Other Comprehensive Income			
Profit/ (Loss) After Taxation		-	-
Surplus or Deficit on Revaluation of PPE		-	-
Remeasurement Of Net Defined Benefit Liability		-	-
Fair Value Gain/(Loss) On Investments in Equity Instruments Designated as at FVTOCI		-	-
Total Comprehensive Income for The Year		(1,146,213)	(347,810)

- Comparative figures relating to Operating Revenue, General & Operating Expenses, Water Supply Operation and Maintenance, and Depreciation lines relating to the prior year have been reclassified from the operating cost in compliance with the revised reporting template.

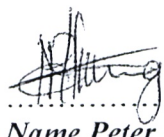
Othaya Mukurwe-ini Water Services Company
Annual Report and Financial Statements for the year ended June 30, 2022

XIV.STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	2021-2022	2020-2021
ASSETS		Kshs	Kshs
NON CURRENT ASSETS			
Plant Property and Equipment	20	30,238,251	22,921,161
Software	21	8,700	2,905,800
TOTAL NON CURRENT ASSETS		30,246,951	25,826,961
CURRENT ASSETS			
Inventories	22	10,057,399	4,841,627
Trade & Other Receivables	23	169,101,123	194,184,277
Short Term Deposit	24	46,026,625	44,309,055
Cash and Bank Balances	25	28,370,394	9,983,146
TOTAL CURRENT ASSETS		253,555,541	253,318,104
TOTAL ASSETS		283,802,491	279,145,065
Retained Earnings	26	171,138,246	172,284,459
TOTAL EQUITY & RESERVES		171,138,246	172,284,459
NON-CURRENT LIABILITIES			
Capital Grant	27	8,201,900	3,946,707
TOTAL NON-CURRENT LIABILITIES		8,201,900	3,946,707
CURRENT LIABILITIES			
Consumer deposits	28	25,982,159	24,261,399
Creditors, Prepayments and Accruals	29	77,568,632	74,549,114
Provision for Tax	30	447,554	2,339,386
Other Provisions	31	464,000	1,764,000
TOTAL CURRENT LIABILITIES		104,462,345	102,913,899
TOTAL EQUITY AND LIABILITIES		283,802,491	279,145,065

The financial statements were approved by the Board on September 9, 2022 and signed on its behalf by:


 Name Moses N.N. Munyi
 Managing Director


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


 Name Arthur G. Mukira
 Chairman of the Board

Othaya Mukurwe-ini Water Services Company
Annual Report and Financial Statements for the year ended June 30, 2022

XV.STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	Retained earnings	Total
As at July 1, 2020	172,632,267	172,632,267
Profit for the year	(348,050)	(348,050)
As at June 30, 2021	172,284,217	172,284,217
As at July 1, 2021	172,284,217	172,284,217
Loss for the year	(1,146,213)	(1,146,213)
At June 30, 2022	171,138,004	171,138,004

XVI.STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	2021-2022	2020-2021
	Kshs	Kshs
Cash Flows From Operating Activities		
Operating Revenue	168,653,368	147,242,179
Grants Income	-	3,494,360
Other Income	-	5,209,839
Finance income	2,900,435	2,867,007
Other gains/(losses)	31,692,078	-
Customer Deposits	1,748,820	2,076,816
Prepayment	1,727,735	1,729,366
Total Receipts	206,722,436	162,619,567
Payments		
Refund of Customer Deposits	(28,060)	(17,000)
Payment for income tax	(865,115)	(778,611)
Staff Costs	(74,061,415)	(70,737,660)
General and Operations expenses	(56,482,722)	(47,575,140)
Board Expenses	(4,956,004)	(2,337,600)
Maintenance Expenses	(34,902,186)	(30,412,215)
Finance Costs	-	-
Payment of arrears	(3,240,037)	(1,456,441)
Total Payments	(174,535,539)	(153,314,667)
Net Cash From/(Used In) Operating Activities	32,186,897	9,304,900
Cash Flows from Investing Activities		
Purchase Of Property, Plant And Equipment (PPE)	(12,082,078)	(6,797,326)
Proceeds From Disposal Of PPE	-	-
Purchase Of Intangible Assets	-	-
Purchase Of Investment Property	-	-
Purchase Of Quoted Investments	-	-
Proceeds From Disposal Of Quoted Investments	-	-
Net Cash From/(Used In) Investing Activities	(12,082,078)	(6,797,326)
Cash Flows from Financing Activities		
Proceeds From Issues Of New Share Capital	-	-
Proceeds From Borrowings	-	-
Repayment Of Borrowings	-	-
Dividends Paid	-	-
Net Cash From/(Used In) Financing Activities	-	-
Increase/(Decrease) In Cash And Cash Equivalents	20,104,819	2,507,574
Cash And Cash Equivalents At Beginning Of Year	54,292,200	51,784,626
Effects Of Foreign Exchanges Rate Fluctuations	-	-
Cash And Cash Equivalents At End Of The Year	74,397,018	54,292,200

XVII.STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2021-2022	2021-2022	2021-2022	2021-2022		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Xxx%
Operating Revenue	174,710,348	-	174,000,348	175,281,895	1,281,547	101%
Non-Operating Revenue					-	
Grants	15,000,000	17,945,193	34,255,193	31,692,078	-2,563,115	93%
Finance Income	2,600,000	-	2,600,000	2,900,435	300,435	112%
Other gains	-	-	-	-	-	
	-	-	-	-	-	
Total Revenue	192,310,348	17,945,193	210,855,541	209,874,409	-981,132	100%
Expenses						
Administration Expenses	43,209,745	-4,709,405	38,500,340	40,300,355	-1,800,015	105%
Personnel Costs	85,838,155	-4,921,812	80,916,343	76,755,136	4,161,207	95%
Direct Expenses	9,671,574	98,000	9,769,574	33,015,727	-23,246,153	338%
Water Supply Operation and Maintenance	38,297,972	7,179,950	45,477,922	40,832,653	4,645,269	90%
Depreciation and Amortization expenses	-	7,787,373	7,787,373	7,662,089	125,284	98%
Board Expenses	3,812,000	1,000,000	4,812,000	4,956,004	-144,004	103%
Total Recurrent Expenditure	180,829,446	6,434,106	187,263,552	203,521,964	-16,258,412	109%
Profit or Loss	11,480,902	11,501,088	18,945,620	27,051,357	-8,105,737	143%
Capital Expenditure	14,576,972	5,004,396	19,581,368	19,594,709	-13,341	100%
Total Expenditure	195,406,418	11,438,502	206,844,920	223,116,673	-16,271,753	108%

Note: PFM Act section 164(2) ii and iv requires a County Government company to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums

voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available.

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

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

During the year the management raised a supplementary budget to address budget over and underutilisation to enable the company operate within the approved budget for the company.

The following items of the budget exceeded the 10% threshold and the management wish to make representation:

- ✓ Finance Income: the Company in the course of the year negotiated a higher interest rate on funds held at the banks on fixed rates. This resulted in a higher return than originally budgeted for in the financial statements.
- ✓ Direct Expenses: During the year, the company revised the annual rate for provisions for bad debts. This was not in the original budget for the company resulting in a Kshs 23, 524,650 as provision during the year. The amount although not cash expense significantly increased the provisions during the period's

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Othaya Mukurweini Water Services Company is established by 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 sanitation services to 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 areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in *Note 12*.

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 2015, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which a company has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for a company to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of a company's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

NOTES TO THE FINANCIAL STATEMENTS (Continues)

i. Early adoption of standards

The company did not early – adopt any new or amended standards in year 2021/2022

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

i) Revenue from the sale of goods and services is recognised in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.

ii) Grants from Government Entities are recognised in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

iii) Finance income comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.

iv) Rental income is recognised in the income statement as it accrues using the effective interest implicit in lease agreements.

v) Other income is recognised as it accrues.

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

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

Item	Years	Rates
Buildings and Tanks	40	2.5%
Furniture & Fittings	8	12.5%
Laboratory Equipment	8	12.5%
Computer & Accessories	3	33.3%
Water meters and Distribution Pipelines	5	20.0%
Motorcycle	4	25%

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

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

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) Amortisation and impairment of intangible assets

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

g) Investment property

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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 company 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 company 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.

h) Inventories

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

i) Trade and other receivables

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

j) Taxation

i) Current income tax

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

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

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

k) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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 company and the same taxation authority.

l) 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.

m) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

n) Borrowings

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

o) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised 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 company or not, less any payments made to the suppliers.

p) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2021. 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 Kshs. 200 per employee per month.

q) Provision for staff leave pay

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

r) Exchange rate differences

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

s) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors on May 2021. 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 company upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded reduction in appropriations of KSHS1,800,000 on the 2021-2022 budget following the board's approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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 xxx of these financial statements.

t) 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.

u) Comparative figures

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

v) 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, 2022.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continues)

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 12.

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. During the year OMWASCO made provisions for bad debts at 30% of the debts.

6. Operating Revenue

	2021-2022	2020-2021
	Kshs	Kshs
Water sales-Billing	160,584,554	141,919,679
Exhauster	607,100	135,000*
Billing for other services	4,495,000	5,187,500*
Total	165,686,654	147,242,179

*Revenues from Exhauster and Billing for other services have been amended from other income in compliance with the 2021-2022 revised reporting template. Disaggregation does not result in the material restatement of the 2020-21 financial report.

*Billing for other services refers to income generated from services such as Billing for other services refers to income generated from services including Sewer Connection, Reconnection Fee and Connection Fees.

7. Grant Income

	2021-2022	2020-2021
	Kshs	Kshs
Operational grants from Government entities (WSTF)	-	5,209,839
Recurrent/operational grants from other agencies (CLSG)	30,382,078	-
Capital grants amortized	-	-
Donations from County Governments	-	-
In Kind contribution/donations from other agencies (TWWDA)	1,310,000	-
Total	31,692,078	5,209,839

During the year the company received conditional liquidity support through WSTF to help the company navigate through effects of covid-19 pandemic. The funds were applied in addressing outstanding bills from 2019 financial year.

The company received in kind financing from TWWDA to undertake board training on corporate governance.

Name of the Company 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	2021-2022 Kshs
CLSG grant	30,382,078	-	-	30,382,078	30,382,078
TWWDA Grant	1,310,000	-	-	1,310,000	1,310,000
WSTF Grant			4,255,193	4,255,193	4,255,193
Total	31,692,078	-	4,255,193	35,947,271	35,947,271

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Other Income

	2021-2022	2020-2021
	Kshs	Kshs
Disposal of assets	58,400	153,820
Sale of Tender	-	-
Rental income	-	-
Insurance compensation	-	-
Fine and penalties	2,244,274	1,951,763
Compensation for loss of value	664,040	591,330
Decrease in provision for bad debts	-	797,447
Total	2,966,714	3,494,360

*Revenues from Exhauster and Billing for other services have been reported under Note 6 under operating income in compliance with the 2021-2022 revised reporting template. Disaggregation does not result in the material restatement of the 2020-21 financial report.

9. Finance Income

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest income from treasury bonds	-	-
Interest income from treasury bills	-	-
Interest from receivables	-	-
Interest from commercial banks and financial institutions	2,900,435	2,867,007
Interest on staff loans	-	-
Dividends	-	-
Total	2,900,435	2,867,007

The company earned interest from fixed deposit funds held at various commercial banks on call.

10. Other Gains and Losses

	2021-2022	2020-2021
Description	Kshs	Kshs
Foreign exchange gains / (losses)	-	-
Loss/gain on disposal on sale of investments	-	-
Gain on sale of fixed assets	-	-
Fair value gain/loss on biological Assets	-	-
Fair value gain or losses on revaluation of investment property	-	-
Revaluation losses on inventory	-	-
Unrealized foreign exchange gains/(losses)	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Staff Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries	67,198,501	59,860,572
NSSF	280,800	242,400
Pension	5,107,615	5,025,666
Gratuity	2,669,720	2,992,922
Contract Employees	1,498,500	2,616,100
Total	76,755,136	70,737,660
The average number of employees during the year were classified as,		
Contract employees-Management	5	5
Permanent employees-Unionisable	90	88
Temporary and Contract Employee	38	7
Interns	1	1
Total	134	101

*Items previously registered under staff costs (end year party, training staff) have been moved to General and Operational expenses in Note 12. The revision does not affect the values reported in the 2020-21FY report.

12. General and Operations expenses *

Description	2021-2022	2020-2021
	Kshs	Kshs
Advertisement	561,556	647,253 *
AGM Costs	491,022	1,132,985 *
Audit fee	464,000	464,000 *
Bank Charges	124,924	91,445 *
Compensation for damages	8,000	355,960 *
Conference meetings	841,950	629,561 *
Corporate Social Responsibility	518,178	218,723 *
Customer Service Week	221,640	-
Electricity	335,327	236,848 *
Electricity for Production	1,013,352	1,321,862 *
General Insurance	716,945	576,676 *
General Office expenses	276,562	315,500 *
Insurance Medical	3,774,877	2,974,053 *
Internet services	408,000	408,000 *
Journals and News Paper	41,740	47,760 *
Kenya forest	480,240	414,000 *

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. General and Operations expenses (Continued) *

Description	2021-2022	2020-2021
	Kshs	Kshs
Laboratory Reagents & Equipment	146,370	138,780 *
Lease	491,900	453,400 *
Lease fee & Regulatory levy	6,739,177	5,969,514 *
Legal & professional	1,801,991	846,437 *
Membership/Subsorption fees	229,900	275,400 *
Milk Cost, Standby & Holiday expense	832,600	-
Motor Vehicle/Cycle Fuel and Lubricants	4,801,570	3,575,857 *
OSHA Compliance	708,910	600,360 *
Permits and licences	76,050	2,294,625 *
Postage and Delivery	829,010	934,495 *
Provision for Bad and Doubtful debts	23,524,650	-
Public participation	-	223,867 *
Security	2,680,000	2,438,000 *
Sports	1,737,325	-
Staff end year party	372,000	114,000 *
Staff Uniforms	405,740	221,490 *
Staff welfare	123,539	410,350 *
Stationery & Printing	624,088	538,949 *
Strategic Plan Review	3,005,708	3,678,950 *
Telephone	983,000	456,200 *
Token of appreciation	300,000	-
Internal Training costs	1,247,992	-
Training staff	3,513,945	1,012,191 *
Travel & Subsistence	3,626,010	1,611,425 *
Water Abstraction Fee (WARMA)	2,243,160	2,243,160 *
Water Treatment Chemicals	7,895,101	5,254,857 *
WRUA Subscription	20,000	20,000 *
WSTF Appropriation	8,500	4,428,207 *
Total	79,246,549	47,575,140

*The cost items under General and Operating Expenses have been amended from water treatment chemicals, Direct Costs, Lab reagents, & Administrative costs in compliance with the 2021-2022 revised reporting template. Disaggregation does not result in the material restatement of the 2020-21 financial report.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**A review of the debt policy was done increasing provisions from 20% to 30% in the current financial year*

13. Board Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Chairman Honoraria	-	-
Sitting allowances	2,830,207	2,337,600
Medical Insurance	-	-
Induction and Training	2,125,797	-
Travel and accommodation	-	-
Other allowances	-	-
Total Board Expenses	4,956,004	2,337,600

14. Maintenance Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Maintenance of Software	701,680	664,470*
Motor Vehicles/cycles	1,537,051	1,750,967*
Repairs and maintenance buildings	611,385	315,403*
Repairs Computers & Computer accessories	274,240	278,018*
Furniture	-	-
Environment Conservation	58,000	39,000
Intake Maintenance	845,230	481,100
Minor Works	3,390,490	11,231,070
New connection Installation	2,682,190	-
Non-Revenue Management costs	7,237,441	6,455,454
Maintenance water system	17,076,983	8,843,333
Sewer System Maintenance	487,496	353,400
Total Maintenance Expenses	34,902,186	30,412,215

**The cost items under Maintenance Expenses reported in the previous financial period under maintenance have been moved to general & operational expenses as part of the reviewed reporting template. In addition, items previously declared under Administration costs are reported in the line for the 2020-21FY as part of the reorganisation in the revised reporting template. Disaggregation does not result in the material restatement of the 2020-21 financial report.*

15. Depreciation and Amortization Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, plant, and equipment	4,764,989	4,341,378*
Right of Use Assets	-	-
Intangible assets**	2,897,100	2,897,100
Investment property carried at cost	-	-
Total Depreciation and Amortization	7,662,089	7,238,478

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- * Depreciation has been disaggregated in compliance with the 2021-2022 revised reporting template. Disaggregation does not result in the material restatement of the financial report.
- * Intangible assets relate to ERP software acquired and utilised by the company.

16. Finance costs

Description	2021-2022	2020-2021
	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

Description	2021-2022	2020-2021
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	870,131	860,102
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	870,131	860,102

The company has unutilised tax losses. The tax charge is based in interest income from deposits held at the bank.

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

	2021-2022	2020-2021
	Kshs	Kshs
Profit before taxation	(276,083)	512,292
Tax at the applicable tax rate of 30%	(82,825)	153,688
Current Tax; 2018/2019 under provision	-	-
Tax effect on expenses not deductible for tax	9,422,757	3,500,006
Tax effect on Incomes not deductible for tax	(10,377,754)	(2,123,054)
Tax effect on excess capital allowances	(2,450,045)	(2,217,862)
Deferred Tax prior year overprovision	-	-
Taxable interest income	2,900,435	860,102
Tax effect on losses B/F net of loss C/F	(3,842,645)	-
Total	(4,706,159)	685,172
Tax provision B/F	430,050	348,559
Tax Charge for the year	870,131	860,102
Tax Under provision	-	(430,051)
Payment in the year	(865,115)	(348,560)
	435,065	430,050

Othaya Mukurwe-ini Water Services Company**Annual Report and Financial Statements for the year ended June 30, 2022**

	435,065	430,050
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NOTES TO THE FINANCIAL STATEMENTS (Continued)**18. Earnings Per Share**

The company is registered under the company act 2016 by guarantee. The company does not pay dividends. Surplus income is ploughed back to carry out asset renewal and extension works in subsequent financial period.

19. Dividend Per Share

There are no proposed dividends are accounted for as the company has no share capital. The company holds AGM where books are tabled before stakeholders and appointment of board members from interest groups.

20. Property, Plant and Equipment

Detailed report on 20(a)

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Furniture and Fittings	3,086,658	1,429,745	1,656,913
Computers and Accessories	11,079,426	8,337,248	2,742,178
Water meters and Distribution Pipelines	94,769,696	86,276,371	8,493,325
Motorcycle/ Vehicle	7,477,240	6,204,612	1,272,629
Water Tanks & Buildings	15,792,250	1,421,703	14,370,548
Laboratory Equipment& Loose tools	3,414,873	1,712,216	1,702,657
Work in Progress	-	-	-
	135,620,143	105,381,894	30,238,250

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. a. Property, Plant and Equipment

2021-2022	Furniture and Fittings	Computers and Accessories	Water meters and Distribution Pipelines	Motorcycle/ Vehicle	Water Tanks & Buildings	Laboratory Equipment & Loose tools	Work in Progress	Totals
Cost Or Valuation								
At July 1, 2020	1,938,473	8,796,865	94,322,696	5,804,000	4,163,211	2,786,343		116,740,739
Additions	12,000	1,070,849	447,000	1,058,240		262,530	3,946,707	6,797,326
At June 30, 2021	1,950,473	8,796,865	94,769,696	6,862,240	4,163,211	3,048,873	3,946,707	123,538,065
Depreciation								
At July 1, 2021	1,084,839	6,968,214	81,498,876	5,419,789	973,484	1,243,280	-	96,275,527
Charge For the Year	108,204	1,369,034	2,654,164	360,613	79,743	225,699	-	4,341,378
At June 30, 2021	1,193,043	8,337,248	84,153,040	5,780,402	1,053,227	1,468,979	-	100,616,905
Net Book Value at June 30, 2021	1,950,466	2,742,178	10,616,656	1,081,838	3,109,984	1,579,894	3,946,707	22,921,160
COST OR VALUATION								
As at 1 July 2021	1,950,473	7,726,016	94,769,696	6,862,240	4,163,211	3,048,873	3,946,707	123,538,065
Additions	1,136,185	2,282,561	-	615,000	11,629,039	366,000	-3,946,707	12,082,078
As at 30th June 2022	3,086,658	11,079,426	94,769,696	7,477,240	15,792,250	3,414,873	-	135,620,143
DEPRECIATION								
At July 1, 2021	1,193,043	6,968,214	84,153,040	5,780,402	1,053,227	1,468,979	-	100,616,905
Charge for the year	236,702	1,369,034	2,123,331	424,210	368,476	243,237	-	4,764,989
As at 30th June 2022	1,429,745	8,337,248	86,276,371	6,204,612	1,421,703	1,712,216	-	105,381,894
NET BOOK VALUE								
At June 30, 2022	1,656,913	2,742,178	8,493,325	1,272,629	14,370,548	1,702,657	-	30,328,250

Valuation

At the close of the year, there were no valuations done as at the close of the period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment

Additionally, the company has a subsisting service provision agree (SPA) with TWWDA, where the company utilises, assets developed by TWWDA, to provide water and sewer services to its residents. The SPA provides that TWWDA is responsible for asset development while the company is responsible for maintenance of the facilities. Assets in use by the company are defined in the SPA as Schedule F of the service provision agreement.

21. Intangible Assets

	2021-2022	2020-2021
	Kshs	Kshs
COST		
AS AT JULY 1	10,362,628	10,362,628
Additions	-	-
Disposals	-	-
At June 30	10,362,628	10,362,628
Amortization		
AS AT JULY 1	(7,456,828)	(4,559,728)
Charge for the year	(2,897,100)	(2,897,100)
Disposals		-
Impairment loss		-
At June 30	(10,353,928)	(7,456,828)
Net Book Value		
At June 30	8,700	2,905,800

The value relates to software progressively acquired by the company to assist in operations.

22. Inventories

	2021-2022	2020-2021
	Kshs	Kshs
General stores	85,290	-
Chemicals & Laboratory items	1,183,300	749,752
Water fittings and Accessories	5,170,200	3,997,535
Motor vehicle spare parts	278,940	94,340
Water Meters	3,339,669	-
Total	10,057,399	4,841,627

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Trade and Other Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Trade receivables (note (21a))	236,983,968	237,852,700
Deposits and prepayments	3,143,836	3,143,836
VAT recoverable	68,510	758,281
	-	
Gross trade and other receivables	240,196,314	241,754,817
Provision for bad and doubtful receivable	(71,095,190)	(47,570,540)
Net trade and other receivables	169,101,123	194,184,277

23 (a) Trade Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Gross trade receivables	236,983,968	237,852,700
Provision for doubtful receivables	(71,095,190)	(47,570,540)
Net trade receivables	165,888,777	190,282,160
at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	12,531,813	5,361,908
Between 30 and 60 days	6,554,035	6,122,082
Between 61 and 90 days	4,748,277	6,649,679
Between 91 and 120 days	3,662,526	5,536,989
Over 120 days	209,487,318	214,182,042
Total	236,983,968	237,852,700

Accounts over 120 days represent debts received from National water & pipeline corporation most of which are not traceable to the consumers. There are registered complaints relating to billing with no water during the years 2007-2014 when ADB project was completed that resulted in improved water supply in the company. At the close of the period (2019;11780) accounts are disconnected.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Short Term Deposits

	2021-2022	2020-2021
	Kshs	Kshs
Commercial banks		
Kenya Commercial Bank	16,026,625	14,309,055
Fixed deposit Equity bank	20,000,000	20,000,000
Fixed deposit Coop bank	10,000,000	10,000,000
	46,026,625	44,309,055

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, 2022 was 6.4% (2021 6%)

25. Bank and Cash Balances

	2021-2022	2020-2021
	Kshs	Kshs
Current Account	27,816,387	9,435,614
Others	553,934	547,533
	28,370,321	9,983,147

Detailed analysis of the cash and cash equivalents

		2021-2022	2020-2021
Financial institution	Account number	Kshs	Kshs
a) Current account			
Cash At Bank (KCB)	1101548886	2,991,281	1,367,520
Cash At Bank (Equity Bank Development)	0080290363165	3,611,368	1,105,067
Cash At Bank (Coop Bank)	01100509955300	1,969,569	1,959,496
Cash At Bank (Coop Bank) Collection AC	01148509804000	8,617,458	250,163
Cash At Bank (Equity Bank)	'0080290289364	10,623,051	3,420,708
Cash At Bank KCB(WSTF)	1266914587	2,880	1,328,340
Cash At Bank KCB(CLSG)	1282412965	853	4,320
		27,816,460	9,435,614
b) Others(specify)			
Cash at Hand	N/A	0	12,630
M-Pesa Account	Pay bill 968200	458,360	476,577
Cash at Bank-Equity Eazzy 24/7	00802299032536	95,574	58,326
Sub- total		553,934	547,533
Grand total		28,370,394	9,983,147

Othaya Mukurwe-ini Water Services Company
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Retained Earnings

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

	2021-2022	2020-2021
	Kshs	Kshs
Brought Forward	172,284,459	172,632,269
Surplus	(1,146,213)	(347,810)
	171,138,246	172,284,459

27. Capital Grant

The grants relate to capital advances to construct a DTF at Mukurweini as a way of increasing sewerage coverage in Mukurweini

	2021-2022	2020-2021
	Kshs	Kshs
Bal b/d	3,946,707	-
Grants	4,255,193	3,946,707
Total	8,201,900	3,946,707

28. Consumer Deposit

The grants relate to capital advances to construct a DTF at Mukurweini as a way of increasing sewerage coverage in Mukurweini

	2021-2022	2020-2021
	Kshs	Kshs
Balance Brought forward	24,261,399	22,201,583
Deposits for the year	1,748,820	2,076,816
Refund	(28,060)	(17,000)
Total	25,982,159	24,261,399

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Creditors, Prepayments and Accruals

	2021-2022	2020-2021
	Kshs	Kshs
Related Parties	57,539,050	61,671,574
Staff Costs	5,383,858	1,356,228
Creditors	12,917,989	9,791,946
Prepaid Accounts	1,727,735	1,729,366
	77,568,632	74,549,114

Related party includes accrued amount payables to TWWDA, OAG, WASPA, WRUA, WRA, KFS being external stakeholders for services.

30. Provision for tax

	2021-2022	2020-2021
	Kshs	Kshs
Profit before Taxation	(276,083)	512,292
Tax at applicable rate 30%	(82,825)	153,688
Tax effect on expenses not deductible for tax	(24,847)	3,500,006
Tax effect on incomes not deductible for tax	(10,377,754)	(2,123,054)
Tax effect on Capital allowance	(2,450,045)	(2,217,862)
Tax effect on Losses B/F	12,189,545	687,223
Tax on Interest Income	870,131	860,102
	870,131	860,103
Tax charge for the year	870,131	860,102
WHT on interest	(435,068)	-
Bal B/d	430,051	1,909,335
Tax Paid	(417,559)	(430,051)
Total	447,554	2,339,386

The tax arises from interest income gross for the year.

31. Other Provisions

	2021-2022	2020-2021
	Kshs	Kshs
Provision for 2018/2019 AGM & stakeholders meeting		1,300,000
Provision for Audit Services 2020/2021		464,000
Provision for Audit Services 2021/2022	464,000	
Total	464,000	1,764,000

Othaya Mukurwe-ini Water Services Company**Annual Report and Financial Statements for the year ended June 30, 2022****NOTES TO THE FINANCIAL STATEMENTS (Continued)**

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month. Other than NSSF the company also has a defined contribution scheme operated by CPF Pension Fund. Employees contribute 7.5% while employers contribute 12.5% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

32. Notes to The Statement of Cash Flows

The company took measures to determine the differential amounts of various cashflow movement as per table below.

	2021-2022	2020-2021
	Kshs	Kshs
reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Income Tax paid	-852,627	-778,611
Depreciation	4,978,941	4,341,378
Amortisation	2,897,100	2,897,100
Provisions for bad debts	23,524,650	-797,447
Other Provisions	-	-
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating surplus before working capital	31,320,966	6,174,472
(Increase)/decrease in inventories	-5,216,012	1,921,968
(Increase)/decrease in trade and other receivables	1,558,504	4,633,724
Increase/(decrease) in trade and other payables	910,533	-9,432,028
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	-	-
Increase in Consumer deposits	1,720,760	2,059,816
Cash generated from/(used in) operations	30,724,620	5,357,952
(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	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Grant in aid	4,255,193	3,946,707
Balance at end of the year	4,255,193	3,946,707
(c) ANALYSIS OF CASH AND CASH EQUIVALENTS		
Net increase (decrease) in cash and cash equivalents	20,104,845	2,507,334
Cash and Cash equivalents at the beginning	54,292,200	51,784,866
CASH AND CASH EQUIVALENTS AT END	74,397,045	54,292,200

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

During the year the company revised the cash flow statement in compliance with the guidelines issued on the on preparation of financial statement. As a result, the comparative figures for the 2020-21 financial year have been revised to conform with the standardised report presentation.

The revision of the presentation did not result in alteration of the cash flow values.

33. AfDB Loan Disclosure

The Kenya Government in 2009 secured a credit No. P-KE-EOO-007 under small towns rural water supply and sanitation project from AFDB to develop water infrastructure for various regions in Kenya. The company through Tana Water Works Development Agency was a beneficiary of the loan and the respective project was completed in 2013 at a cost of KSHS971,825,824 under credit no TWSB/ADF/001/2011-2012-small towns and rural water supply and sanitation program. The principal loan instalments and interest at 3% were to be repaid semi-annually by the beneficiary water service provider with effect from April 30, 2013. The loan component was signed between TWWDA and the parent ministry under the 2002 water Act. However, with the introduction of the water ACT 2016, the functions of TWWDA changed with introduction of the water service provision as a devolved function.

Loan conditions:

- The conditions stipulated was that the company would generate more revenues and hence pay lease fees as an agent to the owner (TWWDA) which then would be applied in settlement of the loan and interest.
- Further the company has no mandate to hold assets as it is only an agent of the agency and its assignee.
- The company was also required to register a reviewed tariff with loan repayment component which was not gazetted
- The company does not anticipate direct impact of the loan component in its financial report in regard to the loan component.

34. 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
- Tana Water Works Development Agency
- WASREB
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- OMWASCO staff
- Institutional stakeholders

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Transactions with related parties

	2021-2022	2020-2021
	Kshs	Kshs
a) Sales to related parties		
Rent Income from govt. agencies	14,994,920	9,966,792
Water sales to Govt. agencies	-	-
Interest income from Govt Commercial Banks	-	-
Interest income from T-bills and Bonds	-	-
Others (Specify)	14,994,920	9,966,792
Total	14,994,920	9,966,792
b) Purchases from related parties		
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	520,000	823,350
NYEWASCO Meter Testing Charges	261,000	-
Levies by govt Agencies	9,482,577	8,212,674
KPLC Electivity	1,348,679	1,558,710
Total	11,612,256	10,594,734
b) Grants from the Government		
Grants from National Govt Agencies	35,947,271	8,156,546
Grants from County Government	-	-
Donations in kind	-	-
Total	35,947,271	8,156,546
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for 134(2021,101) employees	71,931,581	71,863,851
Payments for goods and services for	-	-
Total	71,931,581	71,863,851
d) Key management compensation		
Directors' emoluments	2,830,207	2,337,600
Compensation to key management	8,614,500	8,181,357
Total	11,444,707	10,518,957

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. 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 company'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 2022				
Trade Receivables	236,983,968	138,324,269	27,564,509	71,095,190
Other Receivables	3,212,346	3,212,346		
Investments	-			
Bank balances	74,396,945	74,396,945	-	-
Total	314,593,259	215,933,560	27,564,509	71,095,190
At 30 June 2021 (previous Year)				
Receivables	72,819,748	63,998,139	987,793	7,833,815
Other Receivables	1,764,000	0	0	1,764,000
Total	74,583,748	63,998,139	987,793	9,597,815

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 2014.

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 2022 current year				
Trade payables	8,423,350	5,141,936	56,891,754	70,457,040
Current portion of borrowings	-	-	-	-
Provisions	464,000	-	-	464,000
Customer Deposit	-	-	26,010,219	26,010,219
Deferred income	-	-	-	-
Employee benefit obligation	3,463,447	-	-	3,463,447
Total	12,350,797	5,141,936	82,901,973	100,394,706
At 30 June 2021 previous year				
Trade payables	7,833,815	987,793	63,998,139	72,819,747
Current portion of borrowings	-	-	-	-
Provisions	1,764,000	-	-	1,764,000
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	9,597,815	987,793	63,998,139	74,583,747

(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.

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 company's income or the value of its holding of financial instruments. The company is not exposed to market risk as it does not hold financial instruments.

a) Foreign currency risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) 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 exposing the company to cash flow interest rate risk. The interest rate risk exposure arises mainly 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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs450,000 (2020: Kshs 400,000). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs2,250,000 (2020 – KShs2,000,000)

iii. Fair value of financial assets and liabilities

Determination of fair value and fair values hierarchy

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy. The company does not have instruments at the close of the financial 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:

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	167,827,477	172,284,219
Capital reserve	-	-
Total funds	167,827,477	172,284,219
Total borrowings	-	-
Less: cash and bank balances	-74,396,945	-54,292,202
Net debt/ (excess cash and cash equivalents)	-74,396,945	-54,292,202
Gearing	-44%	-32%

36. Incorporation

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

37. Events After the Reporting Period

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

38. Currency

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

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XIX.APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1 Trade and other receivables.	Note 20 to the financial statements shows gross trade receivables totalling to Kshs.237,852,700 which includes an amount of kshs214,182,042 relating to long outstanding debts inherited from National water and pipeline corporation. However, this amount has remained outstanding and uncollected for a long time. The trade and other receivables gross balance of ksh237,852,700 was also not supported with list of debtors, debtors' schedules. Although the recoverability of these debts is uncertain, the management has made provisions for bad and doubtful debts of Kshs.47,570,540 in the financial statements against the outstanding debts which appears inadequate given the large number of unrecoverable debts. Consequently, the valuation and accuracy and recoverability of trade and other receivables balance of Kshs194,184,277 as at 30 June 2021 could not be ascertained.	The management has noted with concern the adequacy of the provisions for trade and receivables made in the financial statements. Section 149 (2) of the Public Finance Management, Act, 2012 states that accounting officer must ensure that the entity keeps proper financial and accounting records that comply with the act, and that documents including electronic records are adequately protected and backed up. a. The company had made specific provisions in the past which raised queries with regulators and office of the auditor general and the county assembly on the provisions made resulting in readmission of the debt portfolio. There have been discussions in pursuit of making adequate provisions to ensure the company meets the threshold for specific provision. b. The company has made arrangements to identify uncollectable debts for the purpose of write off by use of GIS Mapping and data collection that is 70% complete and ongoing. This will	Not Resolved	June 2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		assist management to recommend the right provisions/ write-off of bad debts. Specific provisions will be made once debt identification and mapping has been concluded. c. The management has an existing debt management policy to ensure adequate provisions for accounts receivables. The debt structure has been envisaged to among others; to ensure collection of debts internally within 90 days and a further administrative provision to use debt collectors for debts exceeding 90 days and resolution of billing complaints within 30days of registration. d. The management has adopted new billing system that will enable the company to highlight debt aging structure for action and with GIS capabilities and use of mobile applications to map defaulters, it makes it easier to identify and act on major consumers for outstanding debts. e. The company has areas where there are disputed bills where the company has recently revived the pipelines. The company system was not able to classify the debts in those areas		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		between current good debts and disputed debts making disconnection difficult. Such areas include Mbari ya Ngai, Mbari ya Njue, Mbari ya Thige in Kanunga, Kanyari in iriaini, Upper ikiuu, Kahiho, in Thiha, Ngorano in Gikondi, gakindu and mumwe. f. The Debts owed by Government institutions; the company has accounts with public institutions including the Police, County and National Hospitals and schools. The company manages debts of these institutions differently through negotiations due to the essential services offered by the institutions and structures through which payment are made.		
1.2 Plant, Property and Equipment	Note 17(b) to the financial Statements shows that Property, Plant and Equipment net book value balance of Kshs.22,921,160 as at 30th June 2021. However, the following anomalies were noted about the balance; 1. The fixed asset register did not show the estimated useful life and the residual values for assets. 2. Assets were not tagged for easy identification and verification. 3. Audit schedules relating non-current assets (software) were not availed. 4. Note 4 (d) to the financial statements the	The company has noted the gap and will take measures to amend by review of the Fixed asset register, procuring the services for asset tagging in the current financial year. Other infrastructure and distribution networks are held by TWWDA since transfer of assets has not been finalised.	Not Resolved	June 2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	summary of significant accounting policies did not include the depreciation rate for Water meters and distribution pipelines. Further review of the property, plant and equipment balance revealed that, although the company did not own the land they operate in, the balance for property, plant and equipment balance includes buildings and water tanks at a cost of Kshs.4,163,211. There is no lease agreement for the buildings and water infrastructure or ownership documents. Further, the balance excludes land on which the Company offices are situated and water infrastructure of unknown value. In view of the above observations the accuracy of property, plant and equipment balance cannot be confirmed.			
1.3 Lease Fees	The statement of financial position reflects creditors, prepayments, and accruals balance of Kshs.83,981,142 as at 30 June 2020. Included in this balance are lease fees of Kshs.44,470,699.30 owed to Tana Water Services Board for the financial years 2013/2014 to 2018/2019 which had not been remitted as at 30 June 2019. No explanation was provided for continued classification of the unpaid amounts for 2018/2019 and earlier years under current liabilities. Non-payment of lease fees contravenes Section 104(1) of the Water Act, 2002. Further, as	- The management acknowledges the accrued debt owed to TWSB. This was partly caused by consistent demand made by the then existing County Government administration to suspend the payment of the lease fee which led to the company delay in payment of the lease fee. - The company was instructed by the county government of Nyeri in 2015 not to submit payment of lease	Not Resolved	June 2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	previously reported, the Company was depositing the unpaid lease fees in a special account under instructions from the County Government of Nyeri although the practice was not supported by any legislation. In addition, the purpose of depositing lease fees in a special account was not explained	fee to Tana water services board as the county government was responsible for payment of salaries for the TWSB staff. The new constitution places water under the county government. As a result, there have been demands that WSPs comply with county Executive orders, some of which have a direct impact on the operations. the matter has been under discussion between the company, TWSB and Nyeri county government to chat about the way forward. The company will update the matter once the matter is approved.		
2. Undisclosed outstanding loan	The Kenya Government in 2009 secured a credit No. P-KE-EOO-007 under small towns rural water supply and sanitation project from AFDB to develop water infrastructure for various regions in Kenya. The company through Tana Water Works Development Agency was a beneficiary of the loan and the respective project was completed in 2013 at a cost of KSHS971,825,824 under credit no TWSB/ADF/001/2011-2012-small towns and rural water supply and sanitation program. The principal loan instalments and interest at 3% were to be repaid semi-annually by the beneficiary water service provider with effect from April 30, 2013.	The loan component was signed between TWWDA and the parent ministry under the 2002 water Act. However, with the introduction of the water ACT 2016, the functions of TWWDA changed with introduction of the water service provision as a devolved function. The conditions stipulated was that the company would generate more revenues and hence pay lease fees which then would be applied in settlement of the loan and interest. Further the company has no mandate to	Not Resolved	This may take longer awaiting transfer of assets and liabilities, gazetting of water regulations and tariff review.

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	However, the loan was still outstanding as at 30 June 2021 but was not disclosed in the books of the company. In the circumstances the financial statements may not reflect a true and fair view of the liabilities of the company. Further the company may face litigation for recovery of the loan and interest accrued.	hold assets as it is only an agent of the agency and its assignee. The company was also required to register a reviewed tariff with loan repayment component which was not gazetted		

Name: **Moses N N Munyi**

Signature.....
Managing Director
 Date.....*3/02/2023*.....

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Appendix II: Projects Implemented by The Company
Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
DTF construction at Mukurweini	02HS/TWWDA/N YERI/OTHAYA	WSTF	9MONTH	10,082,544	YES	YES

Status of Projects completion

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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	DTF construction at Mukurweini	11,629,039	11,629,039	100%	10,082,544	11,629,039	WSTF Grant

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 Transfer s during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry/County department of Water-TWWDA	29-Jul-21	Recurrent	1,310,000	1,310,000	-	-	-	-	-
WSTF	Aug-20	Recurrent	15,023,860	15,023,860	-	-	-	-	-
WSTF	Oct-20	Capital	4,255,193	-	4,255,193	-	-	-	-
WSTF	Jan-21		15,358,218	15,358,218	-	-	-	-	-
USAID	N/A	Donor Fund	-	-	-	-	-	-	-
name of Development partner/County department etc.	N/A	Direct Payment	-	-	-	-	-	-	-
			-	-	-	-	-	-	-
Total			35,947,271	31,692,078	4,255,193	-	-	-	-

