

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**OLOOLAISER WATER AND SEWERAGE
COMPANY LIMITED**

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

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
MACHAKOS HUB.

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Oolaiser Water

OLOOLAISER WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

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Oloolaiser Water Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

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1. Acronyms and Glossary of Terms

<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>CECM</i>	<i>County Executive Committee Member</i>
<i>DTF</i>	<i>Decentralized Treatment Facility</i>
<i>NRW</i>	<i>Non-Revenue Water</i>
<i>NSTWSP</i>	<i>Nairobi Satellite Towns Water and Sanitation Project</i>

2. Key Entity Information

Background information

Oloolaiser Water and Sewerage Company Limited was established by the Company's Act (CAP 486) of Parliament on the Thirtieth day of June, Two Thousand and Six. 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, Kajiado County.

Principal Activities

The principal activity of the Company is to provide safe, affordable and reliable water services to customers.

Vision

To be the industry leader and water services provider of choice.

Mission

To provide safe, affordable and reliable water and sewerage services to our customers using environmentally sound technologies for social-economic development.

Core Values

Integrity, Team work, Customer Focus, Professionalism, creativity and innovativeness.

Directors

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

- | | | | |
|----|------------------------|---|--------------------------------|
| 1. | Julius Ries Kaakua | - Chairman | - Appointed onJune 2021 |
| 2. | Dr. Daniel Salau Rogei | - Managing Director | - Appointed on..... March 2023 |
| 3. | Patrick Githaiga | - Vice Chairman | - Appointed onJune 2021 |
| 4. | Meshack Ngare | - Member | - Appointed on.....June 2021 |
| 5. | Purity Simaloi | - Member | - Appointed on.....June 2021 |
| 6. | Joan Metian | - Member | - Appointed on..... June 2021 |
| 7. | Dr. Leina Mpoke | - CECM Water, Environment and Natural Resources | |
| 8. | Kerika ole Ndere | - Director Accounting Services County Government of Kajiado | |

Company Secretary

Wanjau and Wanjao Advocates
P.O. Box 15382-00100
Nairobi

Oololaiser Water Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

Registered Office

Oololaiser Water Plaza
Gataka Road, Ongata Rongai
P.O. Box 333 – 00206
Kiserian.

Corporate Headquarters

P.O. BOX.333-00206
Oololaiser Water Plaza
Gataka Road
Ongata Rongai.

Corporate Contacts

Telephone: (+254)724310714
(+254)202012075
(+254)780310714
E-mail: info@oololaiserwatercompany.co.ke
Website: www.oololaiserwatercompany.co.ke

Corporate Bankers

Kenya Commercial Bank
Ongata Rongai
Private Bag
Ongata Rongai

Equity Bank Ltd

Ongata Rongai
P.O. Box 281-00511
Ongata Rongai.

Independent Auditors

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

Principal Legal Advisers

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

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3. The Board of Directors

Ref	Directors	Details
1.		<ol style="list-style-type: none"> 1. Name: Julius Ries Kaakua 2. Position: Chairman of Board 3. DoB: 1974 4. Qualification: Bachelor in Law, Post graduate diploma in law 5. Work Experience: Has vast experience in litigation having practised law for over 20 years
2.		<ol style="list-style-type: none"> 1. Name: Patrick Githaiga 2. Position: Vice Chairman of Board 3. DoB: 1991 4. Qualification: Bachelor of Business Information Technology, MSC Information Technology, MBA – Marketing 5. Work Experience: Has vast knowledge in Information and Communication Technology
3.		<ol style="list-style-type: none"> 1. Name: Meshack Ngare 2. Position: Chairman Audit & Risk Management Board Committee 3. DoB: 1955 4. Qualification: MSC in Business Administration (Finance and Accounting), Diploma in Business Administration, CPA 1 5. Work Experience: Over Twenty-four (24) years working in private and public sectors as tax consultant.
4.		<ol style="list-style-type: none"> 1. Name: Joan Metian Pertet (FCCA) 2. Position: Chair Technical Board Committee 3. DoB: 1987 4. Qualification: MBA in Business administration, Bachelor's degree in Finance and Accounting and Fellow Association of Chartered Certified Accountants. 5. Work Experience: Has vast experience in finance and administration in both large corporate and medium sized enterprises.

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Annual Report and Financial Statements for the year ended June 30, 2024

5.		<ol style="list-style-type: none"> 1. Name: Purity Simaloi 2. Position: Chair Finance Board Committee 3. DoB: 1993 4. Qualification: Bachelor's degree in commerce – Finance, Diploma in Business Administration 5. Work Experience: Has vast experience in finance and administration
6.		<ol style="list-style-type: none"> 1. Name: Dr. Leina Mpoke 2. Position: Member (CECM – Water, Environment, Natural Resources and Climate change) 3. DoB: 1968 4. Qualification: PhD 5. Work Experience: Has vast experience in non-Governmental Organizations and public sector
7.		<ol style="list-style-type: none"> 1. Name: Kerika Ole Ndere 2. Position: Member (Director Accounting Services - Kajiado County) 3. DoB: 1968 4. Qualification: MBA-Finance, Bachelor of Commerce, CPA-K 5. Work Experience: Has vast experience in finance and accounting in private and public sector.
8.		<ol style="list-style-type: none"> 1. Name: Dr. Daniel Salau Rogei 2. Position: Managing Director 3. DoB: 1977 4. Qualification: PhD – Social Anthropology, MSC Environment and Climate Change 5. Work Experience. Has vast experience in environment, natural resource management and business management, finance and administration

4. Key Management Team

Ref.	Managers	Details
1.		<ol style="list-style-type: none"> 1. Name: Dr. Daniel Salau Rogei 2. Position: Managing Director 3. Academic Qualification: PhD – Social Anthropology, MSc Environment and Climate Change 4. Work Experience. Has vast experience in environment, natural resource management and business management, finance and administration.
2.		<ol style="list-style-type: none"> 1. Name: Antony Muriuki 2. Position: Finance Manager 3. Academic Qualification: BBM (Finance and Banking), Member of ICPAK
3.		<ol style="list-style-type: none"> 1. Name: Wilson Munguti 2. Position: Commercial Manager 3. Academic Qualification: Diploma in water engineering, currently pursuing degree, B.Com in Operations Management.
4.		<ol style="list-style-type: none"> 1. Name: Peter Juma 2. Position: Technical Manager 3. Academic Qualification: Bachelor of Technology Civil (Construction)
5.		<ol style="list-style-type: none"> 1. Name: Solomon Saruni 2. Position: NRW & Project Liaison Manager 3. Academic Qualification: BA (Economics and Statistics)

Oloolaiser Water Company Limited

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6.		<ol style="list-style-type: none">1. Name: Faith Lekato2. Position: Human Resource and Administration Manager.3. Academic Qualification: BBM (Human Resource Management), Diploma (Personnel Management), Member of IHRM
7.		<ol style="list-style-type: none">1. Name: Gideon Sane2. Position: Procurement Officer3. Academic Qualification: Bachelors in Supply Chain Management
8.		<ol style="list-style-type: none">1. Name: Regina Mutunga2. Position: Internal Auditor3. Academic Qualification: K.A.T.C FINAL, C.P.A (K) and a Member of ICPAK.

5. Chairman's Statement

I am pleased to present the Annual Reports and the Financial Statements of the company for the years ended 30th June 2024. When I look back at the path we have walked during this challenging times, I am encouraged by the effort of Directors, and Management to stay on track, this has been our pillar during times of various challenges encountered in water services delivery.

It is our treasured mission to provide a service that is sustainable to meet the ever growing water demand. This in its self is a major challenge in the prevailing demand versus supply deficit. We have set for ourselves some challenging targets and given the commitment of all actors, I am confident we will surely achieve the status of an Industry Leader

Though a lot of effort has been put in developing water supplies within the company's service area, coverage is still not satisfactory. Even in areas where supplies exist, there is great need of rehabilitation and augmentation. Operation and maintenance of water supplies has become one of the major challenges within the water sector. This is due to a multiplicity of factors touching on planning, design, implementation, operation and maintenance and the associated costs

Over the years, the Company has continued to encounter challenges of water demand exceeding the available water supply, aged and dilapidated infrastructure, limitation of pipeline coverage, high population growth, rapid urbanization and operations and maintenance costs

The rapid urbanization within our area of service presents a future that will be equally as challenging as the past, the Board of Directors therefore, is committed to uphold, apply and practice the tenets of good governance to overcome the inevitable challenges. The Board shall continue to direct and transform the Company into a dynamic, pro-active, and consumer conscious organization so as to prevail over existing and emerging challenges and attain its vision "To be the industry leader and water service provider of choice".

Thank you.



Julius R. Kaakua

Chairman-Board of Directors.

6. Report of the Managing Director

The Company is licensed by the Water Services Regulatory Board, authorizing it to operate as a Water Services Provider pursuant to the provisions of the Water Act 2016.

Under this Service Provision License, the company is mandated to provide water and waste water services within Kajiado North and parts of Kajiado West Sub Counties to a coverage area of approximately 248km².

As the utility charged with the responsibility of providing water services within the license area, the residents of this service area look upon us to deliver, I am pleased to report that we have set ourselves ambitious performance goals that will consistently steer the Company to deliver. Though the past years have been exceedingly challenging due to increased operation and maintenance costs surpassing available revenues, inadequate water supply distribution networks and an inadequate water source capacity faced with an ever increasing population and rapid urbanization.

The national standards provide that water supply meets the basic minimum of 40 litres per day for each person served within a water supply system, however due to inadequacy of source capacity the Company has adopted an equity based water rationing schedule under the water for all mission.

The water coverage currently stands at 52% against the National Water Services Strategy (NWSS) target of 80 per cent. This indicator has continued to register a decline of 3% annually in the last three (3) years due to source capacity stagnation against a growing demand/ population. The ongoing NST-WSDP projects is anticipated to provide an addition 10,600m³ of water per day increasing the coverage to 85% in the immediate horizon.

The Company, however will needs to grow its source capacity by at least 2% annually to sustain national standards, therefore efforts are required to reduce NRW levels and to increase water production. This situation requires a sustained investment towards expansion of access, expansion of sources and metering. Therefore, the need to explore innovative financing to complement funding from internal revenues.

The financial year 2023–2024, in particular, has been challenging due to high costs, notably for some operating expenditures. The challenges of high non-revenue water levels continue to persist. Physical water losses have been exacerbated by issues associated with ageing, deteriorating reticulation systems, bad designs combined with incorrect pipe sizing, and poor quality materials. There have also been instances of illegal reconnections, meter by passes, defective consumer meters, incorrect meter placing, inefficient meters, and water theft.

Additionally, under the NST-WSDP projects targeted for completion and commissioning by December 2024, the high levels of Non-Revenue Water arising from systems degradation and failure will be addressed through the construction of an estimated 205 kilometres of pipeline of HDPE materials, construction of an estimated 8,240 metered consumer connections, construction of storage tank all in replacement of existing components, it is projected that the NRW will progressively reduce to 30% by the close of 30th June 2025 and reduce further to under 25% in the Financial Year 2025 – 2026.

We continue to implement programmes aimed at improving our service delivery, efficiency and customer convenience in line with our vision “To be the industry leader and water service provider of choice” by committing to provide quality service that delights our customers. Measurement of our performance in this regard will be carried out through customer satisfaction surveys by independent and external institutions. We will use the findings and feedback we get from the surveys to improve our processes and products in line with customer needs and expectations.

An adequate and robust waste water management infrastructure is key to the delivery of a complete high quality water supply management cycle that guarantees public hygiene to the population. The company in partnership with water works development agencies are in the concluding phases of a comprehensive design for a sewerage system for Ongata Rongai, Ngong, Matasia and Kiserian townships.



Gladys Seleina Marima
Managing Director

7. Statement of Performance against Predetermined Objectives for FY 2023/2024

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

Oloolaiser Water and Sewerage Company Limited has 6 strategic pillars and objectives within its Strategic Plan covering the next five years. These strategic pillars are as follows:

- Pillar 1: Water and sewerage infrastructure
- Pillar 2: Non-revenue water
- Pillar 3: Customer service
- Pillar 4: Operational efficiency
- Pillar 5: Financial sustainability
- Pillar 6: Institutional capacity

Oloolaiser Water and Sewerage Company Limited develops its annual work plans based on the above 6 pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. Oloolaiser Water and Sewerage Company Limited achieved its performance targets set for the FY 2023/2024 period for its 6 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Water and Sewerage Infrastructure	1. To increase amount of water available for distribution from 8,000m ³ per day in 2022 to 18,000m ³ per day by 2027	Increased in quantity of water produced Increase in population served Increase in water production sources	Development of 20 no. additional boreholes to provide 5000m ³ Additional 5000m ³ bulk supply from the Nairobi	20 no boreholes drilled with anticipated equipping and commissioning in 2024 Infrastructure the bulk supply complete, anticipated commissioning 2024
	2. Ensure compliance with water quality standards	Water quality analysis report Tests conformity results	Weekly sampling and analysis Water Treatment processes	Sampling and analysis ongoing Conventional treatment undertaken at treatment works
	3. Increase total population served from	Increased service area	Prioritized expansion of water	Ongoing construction of additional water sources

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	56% in 2022 to 75% by 2027. 4. Enhance waste management	Increased consumer connections Consumer sewerage connections Number of exhaustion to the Decentralised Treatment Facility	supply network to unserved area Enhance access of water in LIAs Design and Construct waterborne sewerage system by 2027 Operationalization of DTF	Ongoing augmentation of supply network Designs for Sewerage System done Rehabilitation works ongoing
Pillar 2: Non-Revenue Water	Reduce non-revenue water from 39% in 2023 to 22% in 2027	Non-Revenue Water level below sector benchmark	Reconstruction of 205kms of pipeline within Ongata Rongai and Kiserian areas by November 2024 under NST-WSDP Establish and institutionalize a NRW unit Enhance meter efficacy by progressive installation of DMA meters	Reconstruction works estimated at 90% complete and ongoing Appointed Non-Revenue Water Manager and team Invited presentations from various institution Benchmarking with other WSPs who have implemented smart metering.
Pillar 3: Customer Service	Increase customer satisfaction index from 75% in 2023 to 85% in 2027	Improved customer satisfaction	Streamline new connection process, Ensure adherence to service charter timelines	Training of customer service team which has improved customer relationship. Appointed a public relations officer and head of customer care personnel.
Pillar 4: Operational Efficiency	Enhance operational efficiency	Reduction of costs, Improved use of ICT	Use of solar power in pumping, Provision of adequate office space	Construction of an office block completed.

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<p>Pillar 5: Financial Sustainability</p>	<ol style="list-style-type: none"> Increase annual revenue from 163.7m in 2023 to 621m in 2027 Increase collection efficiency from 96% in 2023 to 98% in 2027 	<p>Increase in active connections,</p> <p>Improved revenue collection</p>	<p>Activation of inactive accounts Commercialization of DTF</p> <p>Enhance accurate and timely billing, Enhance debt management.</p>	<p>DTF operationalized</p> <p>Developed a debt management policy and formed a revenue collection team to deal with current and old debts.</p>
<p>Pillar 6: Institutional Capacity</p>	<ol style="list-style-type: none"> To attract and retain skilled, motivated and productive staff 	<p>Reduction on staff turnover, increased staff motivation</p>	<p>Review the organization structure, scheme of service and grading structure</p> <p>Enhance staff management</p>	<p>Developed a scheme of service</p> <p>Improved staff management through performance contracting</p>

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8. Corporate Governance Statement

The Board of Directors is unwaveringly committed to making sure that, as a public service institution, the Company's choices are informed by the fundamental principles outlined in the code of conduct. The Board of Directors views corporate governance as crucial to the Company's performance. As a result, the Board of Directors and the appointed Board Committees routinely assess the quality of service in order to consistently carry out our mandate and maintain a sustainable and viable institution. Due to budgetary difficulties, the Board was not taken for corporate governance training during the financial year. It is predicted that the following financial term will be favourable for such an accomplishment.

The Company's board consists of three committees namely: -

- i) Finance and Administration- Three (3) Members
- ii) Business and strategic – Three (3) Members
- iii) Audit and risk Management- Three (3) Members.

The Board of Directors that served in 2023/2024 was chosen through a competitive hiring process, and the appointments were confirmed at the Company's annual general meeting held during the financial year 2021/2022.

9. Management Discussion and Analysis

During the year, the Company's operations were adversely affected by reduced production of water which was brought about by high turbidity during rainy season and frequent burst on the main pipeline from Kiserian dam due to its poor quality and dilapidation. This adversely affected revenue generation and collection.

The Dilapidated water supply infrastructure, that is sources, treatment works, storage, pipelines and consumer meters had both lead to high costs of operation and maintenance and high levels of Non-Revenue Water at 44% being above the sector benchmark.

Currently the Company through technical and financial support from Athi Water Works Development Agency is implementing a comprehensive construction of additional water sources and pipe networks under the Nairobi Satellite Towns Water and Sanitation Programme, which is objected to ensure financial and operational sustainability of the Company.

The project is anticipated to increase the water source capacity by an estimated 10,260 cubic meters per day, reduce Non-Revenue Water to below 25% and expand the consumption base. Additional institutional improvements and enhancements include; procurement of equipment, procurement of an Enterprise Resource Planning. Staff underwent training on key business operation areas under the project during the financial year.

Through the County Government of Kajiado and Athi Water Works Development Agency the Company has undertaken a feasibility study towards solarisation of all of its production sites which is anticipated to reduce cost of production significantly.

After implementation of the said strategies the Company's revenues are anticipated to be and hence turnaround the utility to a profit making entity.

10. Environmental and Sustainability Reporting

Life transformation is the purpose of Oloolaiser Water and Sewerage Company Limited. This is the reason behind all we do; it is our purpose. It is what directs us in executing our plan, prioritising the client/citizen, providing pertinent products and services, and enhancing operational excellence. The organization's sustainability-related policies and initiatives are outlined below

i) Sustainability strategy and profile -

The Company is in the process of reviewing its five-year strategic plan for the period 2023 to 2028 which is geared towards improving services given. In the plan are strategic themes and strategic objectives aimed at the mitigating and/or reducing some of the negative factors like non-revenue water, dilapidated pipeline and also reduce other inefficiencies through employing technology in billing, revenue collection and customer service to improve on accuracy and response to customer enquiries and complains. The Company is also working on increasing amount of water source capacity and in effect more water available for distribution to our customers by bulk water importation and development of additional boreholes under the Nairobi Satellite Towns Water and Sanitation Programme. This is a flagship project for the utility as it is a sustainable pillar for assured turnaround in the immediate and mid-term horizon.

ii) Environmental performance

In line with the President's tree planting initiative to plant 15 billion trees by 2032. The Company was engaged planting trees in Ngong Forest, administrative offices, schools within Kajiado North and Kiserian dam. The Company adhered to National Environmental Management Authority guidelines in regard to discharge of waste water and disposal of harmful and hazardous products.

iii) Employee welfare

The Company has a human resource manual which guides in the handling of issues relating to staff. It recruits its staff based on merit giving consideration to gender, regional, age and ethnic balance. It endeavours to retain, reward and develop the best talent to help it achieve its goal. Further, it continually seeks to improve its employees through structured programs for personal and professional development. This is usually informed by the appraisal system which is

conducted biannually. The Company has a staff advisory and an occupational safety and health committee in place to deal with staff matters and safety of staff at work respectively

iv) **Market place practices-**

The Company is committed to:

a) Responsible competition practice.

Water Services Regulatory Board (WASREB) is mandated in regulating the pricing through a tariff, operating area on which the Company should operate within through licensing. The Company is responsible in making sure it adheres to the conditions set by the regulator.

b) Responsible Supply chain and supplier relations

The Company makes sure that all its procurement is guided by the Public Procurement and Assets Disposal act and regulations. Through encouraging fair competition and openness in all its procurement. The Company also endeavour to ensure that the relationship between it and its supplier is well maintained for mutual benefit.

c) Responsible marketing and advertisement

The Company does its marketing and advertisement through signed boards, on social media through one on one engagement with its current and prospective customer. During these engagements it always maintains high ethical standards and avoid material both visible and audio that would bring conflict and misleading information.

d) Product stewardship

Core mandate of the Company is to supply safe and adequate water to citizens within its area of jurisdiction. This is met through making sure that quality of water distributed to customers is treated and quality tested at the source and consumption points to make sure it meets the set standards.

v) **Corporate Social Responsibility / Community Engagements**

The Company endeavours to improve the wellbeing of the stakeholders and members of the society in its area of operations. This is done through coming up with projects, giving material and cash geared towards improving the welfare of the community.

11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 30, June 2024.

i) Principal activities

The principal activities of the Company are to provide safe and reliable water services to customers.

ii) Results

The results of the company for the year ended June 30, 2024 are set out on pages 1-6

iii) Dividends

The company has not declared dividends for the year ended June 30, 2024 due to financial constraints.

iv) Directors

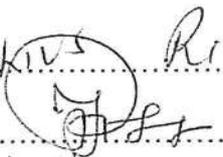
The members of the Board of Directors who served during the year are shown on page v-vi in accordance with Regulation 58 of *Oloolaiser Water and Sewerage Company limited* Articles of Association.

v) Auditors

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

By Order of the Board

Name: JUKIUS RIES KAAKVA

Signature: 

Date: 2/1/2025

BOARD CHAIRMAN

Oloolaiser Water Company Limited

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12. Statement of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012, companies Act 2015, and section 208 of the Public Finance Management County regulations act require the Directors to prepare financial statements in respect of Oloolaiser Water and Sewerage Company Limited, which give a true and fair view of the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2024. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

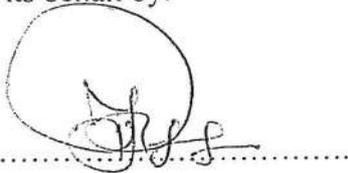
Oloolaiser Water Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024
Statement of Directors' Responsibilities (Continued)

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2024, 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.

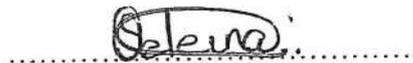
Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The company financial statements were approved by the Board on 26/09/2024 and signed on its behalf by:



Julius Ries Kaakua
Chairman of the Board



Gladys Seleina Marima
Managing Director

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON OLOOLAISER WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Oololaiser Water and Sewerage Company Limited set out on pages 1 to 46 which comprise of the statement of financial

position as at 30 June, 2024 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Oololaiser Water and Sewerage Company Limited as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Water Act, 2016, the Companies Act, 2015, the County Government Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Customer Deposits

The statement of financial position and as disclosed in Note 20 to the financial statements reflects customer deposits balance of Kshs.1,141,418. The deposit money is refundable on demand for those terminating their service contracts with the Company without outstanding bill. However, as at the end of the financial year 2023/2024, the cash balance held in the deposit bank account was Kshs.1,094, 523 resulting in unexplained variance of Kshs.46,895. Further, as previously reported the Company had cumulatively borrowed funds totalling Kshs.19,624,450 from the deposits account for operations which had not been settled as at the time of audit in December 2024.

In the circumstances, the accuracy and completeness of customer deposit balance of Kshs.1,141,418 could not be confirmed.

2. Receivables and Provision for Doubtful Debts

The statement of financial position reflects trade and other debtors balance of Kshs.121,591,036 as disclosed in Note 18 to the financial statements. The balance is net of provision for doubtful debts of Kshs.18,865,419. Review of the ageing analysis revealed that receivables amounting to Kshs.122,071,154 were outstanding for more than 120 days casting doubt on the adequacy of the provisions. The Company has not put in place effective and reliable debt collection systems, rendering the recoverability of the debt doubtful. Further, the Company made provisions for doubtful debts of Kshs.18,865,419 constantly over a number of years despite the fluctuations in trade and other debtors balances. The Company finance manual does not include threshold for calculation of provision for doubtful debts.

In the circumstances, the accuracy and completeness of trade and other debtors balance of Kshs.121,591,036 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.158,010,862 and Kshs.119,823,399 respectively, resulting to an under- funding of Kshs.38,187,463 or approximately 24% of the budget.

The under-funding may affect the planned activities and may impact negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1. Unresolved Prior Year Matters

In the audit report of the previous year, several paragraphs were raised. However, Management has not resolved all the prior year matters as prescribed in the reporting requirements set by the Public Sector Accounting Standards Board. Management has not provided any explanation for the delay in resolving the issues. Further, the template did not include Management comments, status and also time frames for acting on the recommendations.

2. Material Uncertainty Relating to Going Concern

The statement of profit or loss and other comprehensive income reflects loss before taxation of Kshs.57,698,538 (Deficit of Kshs.33,582,273 for 2022/2023). In addition, the statement of financial position reflects current liabilities totalling Kshs.387,542,297 against current assets of Kshs.123,601,616 resulting in a negative working capital of Kshs.263,940,681.

Further, the trade and other payables balance of Kshs.335,430,098 increased by Kshs.64,118,245 from the previous year's balance of Kshs.271,311,853, which may be

an indication of the Company's inability to settle its obligations as and when they fall due. Although Management has in the annual report highlighted several challenges which will affect the Company's future profitability, no measures have been taken to ensure future improved profitability of the Company.

In the circumstances, the ability of the Company to continue to sustain its services is dependent on continued support from the County Government and other stakeholders.

Other Information

Management is responsible for the other information set out on pages iii to xxi which comprise of Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The other information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Excessive Non- Revenue Water

The Company records indicated water production of 2,093,707 cubic meters (M³) of water out of which only 1,071,870 M³ were billed to customers. The balance of 1,021,837 M³ or appropriately 49% of total production represents Non-Revenue Water (NRV) which is above the acceptable threshold of 25% set by the Water Service Regulatory Board

(WASREB). Although, Management attributed the loss to ageing and deteriorating reticulation systems, bad designs combined with incorrect pipe sizing, poor quality materials, illegal connections, meter bypasses and defective consumer meters, no measures have been put in place to address the issues.

In the circumstances, Management was in breach of law.

2. Non-compliance with the law on Fiscal Responsibility Principles

The statement of profit or loss and other comprehensive income and as disclosed in Note 9 to the financial statements reflect staff cost of Kshs.96,989,784 which is approximately 81% of the total revenue of Kshs.119,823,398. This is contrary to the provisions of Regulation 25(1) (a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which states that the County Executive Committee Member with the approval of County Assembly shall set out a limit of County Government expenditure on wages and benefits for its public officers which shall not exceed thirty-five percent (35%) of the County Government's total revenue.

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

3. High Electricity Costs

The statement of profit or loss and other comprehensive income reflects general and operations expenses amount of Kshs.70,160,424 as disclosed in Note 10 to the financial statements. The expenditure includes power costs of Kshs.38,090,961 which represents approximately 54 % of the total operating expenses, leaving approximately 46% for other programs.

The high-power costs may have impacted negatively on the profitability and sustainability of services by the Company.

4. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 19 to the financial statements reflect trade and other payables balance of Kshs.335,430,098. However, review of supporting schedules and as disclosed in the aging analysis to the financial statements revealed that payables amounting to Kshs.122,071,154 or approximately 36% were payables aged over one hundred and twenty (120) days. This is contrary to Section 94 (1) (a) (i) of the Public Finance Management Act, 2012 which states that a state organ or public entity is in serious material breach or persistent material breach if the state organ or public entity fails to make any payments as and when due. Although Management indicated that the payables had been outstanding for so long due to financial constraints, no measures had been put in place to clear the payables.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern

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

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

Conclusion

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

Basis for Conclusion

Staff Medical Expenses

The statement of profit or loss and other comprehensive income reflects staff costs amount of Kshs.96,989,784 which includes staff medical expenses of Kshs.1,762,817 as disclosed in Note 9 to the financial statements. However, the Company did not have a medical cover policy for the employees and there was no guidance on how the medical vote was run, including the hospitals that were appointed and exceptions on medical services to be received.

In the circumstances, the effectiveness of internal controls on management of staff medical expenses could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on page xix is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on pages xix, xx, 20 and 30 has been properly prepared in accordance with the Companies Act, 2015.

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of 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 (IFRS) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 December, 2024

Oloolaiser Water Company Limited.

Annual Report and Financial Statements for the year ended June 30, 2024

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

2024

	Note	2023/2024	2022/2023
		Kshs	Kshs
Revenue			
Operating Revenue	6	119,537,398.80	121,185,406
Grants Income	7	-	14,040,926
Other Income	8	286,000.00	262,000
Total Revenue		119,823,398.80	135,488,333
Expenses			
Staff Costs	9	96,989,784	93,685,759
General and Operations expenses	10	70,160,424	64,164,744
Board Expenses	12	1,991,090	2,512,507
Maintenance Expenses	11	5,799,756	5,239,023
Depreciation and Amortization	13	1,985,199	2,716,845
Finance Costs	14	595,685	751,728
Total Expenses		177,521,937	169,070,606
Profit/(Loss) Before Taxation		(57,698,538)	(33,582,273)
Income Tax Expense/(Credit)		-	0
Profit/(Loss) After Taxation		(57,698,538)	(33,582,273)

Oloolaiser Water Company Limited.

Annual Report and Financial Statements for the year ended June 30, 2024

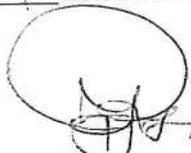
15. Statement of Financial Position as at 30 June 2024

		2023/2024	2022/2023
	Note	2023/2024	2022/2023
		Kshs	Kshs
ASSETS			
Non current assets			
Property Plant & Equipment	15	20,545,896	22,161,095
Intangible Assets		0	0
		20,545,896	22,161,095
Current assets			
Trade & Other Debtors	18	121,591,036	114,310,942
Cash & Cash Equivalent	16	2,010,580	484,768
		123,601,616	114,795,711
Total assets		144,147,512	136,956,805
EQUITY AND LIABILITIES			
Share Capital	17.(a)	100,000	100,000
Capital Reserve	17.(b)	3,817,836	3,817,836
General Reserve	17.(b)	-263,301,429	-205,602,891
Total Equity		-259,383,593	-201,685,055
Non Current Liabilities			
Capital Grant	22	15,988,810	15,988,810
Total Non Current Liabilities		15,988,810	15,988,810
Current Liabilities			
Trade and Other Payables	19	335,430,098	271,311,853
Customer Deposits	20	1,141,418	370,418
Contingent Liability	21	50,970,780	50,970,780
Total Current Liabilities		387,542,297	322,653,052
Total Equity and Liabilities		144,147,512	136,956,805

The financial statements were approved by the Board on 20/07/2024 2024 and signed on its behalf by:


 Name : Gladys S. Marina
 Managing Director


 Name: CPA Antony Muriuki
 Head of Finance
 ICPAK M/No... 26329


 Name: Mr. Julius Kaakua
 Chairman of the Board

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

	Note	Share Capital	Revenue Reserve	Capital Reserve	Total
		Kshs	Kshs	Kshs	Kshs
As at 30th June 2022		100,000	-172,020,617	3,817,836	-168,102,781
Prior year adjustments					
Restated Balance					
Amortization					
Additions for the year					
Profit/(loss) for the year			-33,582,274		-33,582,274
As at 30th June 2023	17. A&B	100,000	-205,602,891	3,817,836	-201,685,055
As at 30th June 2023		100,000	-205,602,891	3,817,836	-201,685,055
Prior year adjustments					
Restated Balance					
Accumulated Amortization					
Additions for the year					
Profit/(loss) for the year			-57,698,538		-57,698,538
As at 30th June 2024	17. A&B	100,000	-263,301,429	3,817,836	-259,383,593

Oloolaiser Water Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

17. Statement of Cash Flows for the Year Ended 30 June 2024

	NOTES	2023/2024	2022/2023
		Kshs.	Kshs.
CASH FLOWS FROM OPERATING ACTIVITIES	23	1,895,812	(1,087,719)
INVESTING ACTIVITIES			
Purchase of plant, property and equipments	15	(370,000)	(465,000)
NET CASH USED IN INVESTING ACTIVITIES		(370,000)	(465,000)
FINANCING ACTIVITIES			
Capital Grant	22	-	-
NET CASH FROM FINANCING ACTIVITIES		-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,525,812	(1,552,719)
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR		484,765	2,037,485
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,010,580	484,765
ANALYSIS OF CASH AND CASH EQUIVALENTS :			
Bank and Cash Balance	16	2,010,580	484,765

Oloolaiser Water Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

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

ITEM	INCOME	ORIGINAL BUDGET	ADJUSTMENT	FINAL BUDGET	ANNUAL INCOME AND EXPENDITURE TOTALS	ANNUAL INCOME AND EXPENDITURE VARIANCE	ANNUAL PERFORMANCE RATING	REMARKS
1	Total Billing	155,806,689.30		155,806,689.30	118,889,498.80	(36,917,190.50)	76%	The Revenue was not realised fully due to power disconnections and ongoing constructions which kept destroying pipes.
	<i>Other Incomes</i>							
3	News connection fees	1,665,000.00		1,665,000.00	647,900.00	(1,017,100.00)	39%	The expected numbers of new connections were not realized due to limited water supply.
4	Grants	-		-	-	-		
5	VAT refunds						0%	
6	Others	539,172.41		539,172.41	286,000.00	(253,172.41)	53%	
	Total Income projection	158,010,861.71		158,010,861.71	119,823,398.80	(38,187,462.91)	76%	
7	Total Administration Expenses	16,940,473.59		16,940,473.59	11,727,734.65	5,212,738.95	69%	Some expenses were not met due to decreased revenue that did not happen as budgeted.
8	Total Board Expenses	5,317,220.00		5,317,220.00	1,991,090.00	3,326,130.00	37%	The intended trainings for the Directors did not take place due to unavailability of resources.
9	Total operational Expenses	74,351,781.03		74,351,781.03	66,813,328.63	7,538,452.40	90%	
10	Staff Costs	104,078,973.73		104,078,973.73	96,989,783.80	7,089,189.93	93%	
	Grand Expenditure	200,688,448.36		200,688,448.36	177,521,937.08	23,166,511.28	88%	
	Income less expenses	(42,677,586.64)		(42,677,586.64)	(57,698,538.28)	(15,020,951.63)		

Oloolais Water Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

CAPITAL BUDGET

ITEM	ORIGINAL BUDGET	ADJUSTMENT	FINAL BUDGET	ANNUAL INCOME AND EXPENDITURE TOTALS	ANNUAL INCOME AND EXPENDITURE VARIANCE	ANNUAL PERFORMANCE RATING
1	Capital Grant					
	Expenditure					
1	Total Capital Expenditure	-	3,500,000.00	370,000	3,130,000.00	12%
	Net Expenditure	-	(3,500,000)	(370,000)		Most of the budgeted items were not realized due to lack of revenue.

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

However, for public sector entities, the PSASB (PUBLIC SECTOR ACCOUNTING STANDARDS BOARD) 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.

19. Notes to the Financial Statements

1. General Information

Oloolaiser Water and Sewerage Company Ltd is established by and derives its authority and accountability from Water Act No. 43 of 2016. The Company is wholly owned by the Kajiado County Government and is domiciled in Kenya. The Company's principal activity is to provide safe and reliable water services to customers in Rongai, Kiserian, Ngong and Kimuka Towns and their environs. 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. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies.

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

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

Oloolaiser Water Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2024

Notes to the financial statements (continued)

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

i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2024.

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

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

Oloolaiser Water Company Limited
Annual Reports and Financial Statements
For the year ended June 30 2024

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 2024.*

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

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

iii. *Early adoption of standards*

Oloolaiser Water did not early – adopt any new or amended standards in year under review.

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

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

Ofoolaiser Water Company Limited
Annual Reports and Financial Statements
For the year ended June 30 2024

Notes to the financial statements (continued)

Summary of Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

d) Depreciation and impairment of property, plant and equipment

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

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

Item	Rates
Intangible assets	33.3%
Water meters	33.3%
Computers	30%
Office furniture and equipment	12%
Pumps and equipment	30%
Water tanks	30%

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

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and

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amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

f) Amortization and impairment of intangible assets

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

g) Inventories

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

h) Trade and other receivables

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

i) Cash and cash equivalents

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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.

j) Trade and other payables

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

k) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2012. The scheme is administered by Lap trust and Standard Chartered 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 12% Employee contribution and 15% Employer contribution per employee per month for the lap trust and at 7.5% Employee and 12% Employer for the Standard chartered.

l) Budget information

The original budget for FY 2023-2024 was approved by the Board of Directors on 28th June 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded budget reallocation on the 2023-2024 budget following the governing body's approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. Both the financial

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statements and the budget are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance. 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.

iii) Comparative figures

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

ii) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

There were no estimates made during the year.

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b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available.

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.

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Notes to the financial statements (continued)

6. Operating Revenue

	2023/2024	2022/2023
	Kshs.	Kshs.
Water	118,889,499	119,237,606
Connection fees	647,900	1,947,800
	119,537,399	121,185,406

7. Grants Income

	2023/2024	2022/2023
	Kshs.	Kshs.
Grants from Kajiado County		12,854,740
Other Grants		1,186,186
		14,040,926

8. Other Income

	2023/2024	2022/2023
	Kshs.	Kshs.
Staff rent	286,000	262,000
	286,000	262,000

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Notes to the financial statements (continued)

9. Staff Costs

	2023/2024	2022/2023
	Kshs.	Kshs.
Staff Salary	78,260,273	78,886,570
Employer Pension Contribution NWC	684,254	942,720
Leave and Passage	1,515,425	1,419,448
Staff Welfare	100,000	100,000
Staff Medical	1,762,817	1,166,185
N S F (Employer Contribution)	2,108,620	952,140
Staff bonus		
Gratuity provision	3,019,834	869,059
WASCA Sports		
Employer Contribution to laptrust	6,958,631	7,710,742
Standby Allowances		
Casual Wages	1,679,333	1,638,895
Hosing Levy	900,597	
Total	96,989,784	93,685,759

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Notes to the financial statements (continued)

10. General and Operational Expenses

	2023/2024	2022/2023
	Kshs.	Kshs.
Consultancy & Professional fees	637,176	359,668
Auditor's Remuneration	232,000	232,000
Telephone, Postage and Telegram	1,034,639	228,636
Travel & Accommodation	1,950,250	4,916,630
Office Electricity & Water	152,572	204,807
Membership to professional bodies	532,948	409,798
Advertising & Promotions	340,180	190,820
Insurance	12,000	46,047
Library Expenses		5,800
Office Tea & Cleaning	321,415	193,148
Office Stationery	346,495	307,092
Printing and Photocopying	16,560	38,515
General Office Expenses	147,915	192,007
Office Rent	165,000	180,000
IT Expenses	1,250,854	1,134,982
Maintenance of Office Equipment	56,800	23,750
Stakeholders Forums	451,240	103,650
Annual General Meeting	225,987	
Legal Fees		174,000
Uniforms And Protective Clothing		2,400
Staff Training	1,172,480	93,950
Power costs	38,090,961	32,386,322
Chemicals	16,307,266	16,257,166
M/Vehicle Fuel Expenses	602,100	479,001
Regulatory levy	4,755,580	4,769,504
Permit and Abstraction Fee	943,516	838,785
Water quality tests	60,000	69,165
Hire of Motor Vehicles/Plant & Equipment	254,150	327,100
Generator Fuel	100,340	
Total	70,160,424	54,164,744

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Notes to the financial statements (continued)

11. Maintenance Expenses

	2023/2024	2022/2023
	Kshs.	Kshs.
Maintenance of W/Supplies	3,622,115	3,281,644
Maintenance of buildings & Stations		53,100
Maintenance of pumps and equipment	1,925,759	1,640,853
Maintenance of M/Vehicles	251,882	263,426
Total	5,799,756	5,239,023

12. Board Expenses

	2023/2024	2022/2023
	Kshs.	Kshs.
Board Allowances	1,476,912	1,971,376
Chairman's Honoraria	342,852	342,852
Other Board Expenses	171,326	198,279
Total	1,991,090	2,512,507

Valuation

The Company did not carry out any asset valuation during that period.

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Notes to the financial statements (continued)

13. Depreciation and Amortization

	2023/2024	2022/2023
	Kshs.	Kshs.
Property, plant and equipment	1,985,199	2,716,845
	1,985,199	2,716,845

14. Finance Costs

	2023/2024	2022/2023
	Kshs.	Kshs.
Bank Charges	252,411	220,461
Revenue Collection Expenses	343,274	531,267
Total	595,685	751,728

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Notes to the financial statements (continued)

15. Property, plant and equipment

	Intangible Assets	Water Meters	Furniture & Office Equipment	Computers	Tanks	Pumps & Equipment	Work in Progress	Total
2024								
Rate	33.30	33.30	12.00	30.00	30.00	30.00		
COST		Kshs.	Kshs.	Kshs.			Kshs.	
As at 1 July 2023	295,471	25,909,754	1,896,320	2,359,606	1,108,854	14,546,225	15,986,562	62,102,792
Additions at cost		336,000		34,000				370,000
Disposal								0
As at 30 June 2024	295,471	26,245,754	1,896,320	2,393,606	1,108,854	14,546,225	15,986,562	62,472,792
DEPRECIATION								
At 1 July, 2023	295,471	22,802,076	1,386,306	2,117,135	890,434	12,450,274	-	39,941,697
Charge for Year	-	1,146,745	61,202	82,941	65,526	628,785		1,985,199
As at 30 June, 2024	295,471	23,948,821	1,447,508	2,200,076	955,960	13,079,059	0	41,926,896
NET BOOK VALUE								
As at 30 June, 2023	-	3,107,678	510,014	242,471	218,420	2,095,951	15,986,562	22,161,095
As at 30 June, 2024	-	2,296,933	448,812	193,530	152,894	1,467,165	15,986,562	20,545,896

	Intangible Assets	Water Meters	Furniture & Office Equipment	Computers	Tanks	Pumps & Equipment	Total
2023							
Rate	33.3	33.30	12	30	30	30	
COST		Kshs.	Kshs.	Kshs.			Kshs.
As at 1 July 2022	295,471	25,444,754	1,896,320	2,359,606	1,108,854	14,546,225	61,637,792
Additions at cost		465,000.00					465,000
Disposal							-
As at 30 June 2023	295,471	25,909,754	1,896,320	2,359,606	1,108,854	14,546,225	62,102,792
DEPRECIATION							
At 1 July, 2022	295,471	21,250,567	1,316,759	2,013,219	796,826	11,552,009	37,224,851
Charge for Year	-	1,551,509	69,547	103,916	93,608	898,265	2,716,846
As at 30 June, 2023	295,471	22,802,076	1,386,306	2,117,135	890,434	12,450,274	39,941,697
NET BOOK VALUE							
As at 30 June, 2022	-	4,194,187	579,561	346,387	312,028	2,994,215	24,412,940
As at 30 June, 2023	-	3,107,678	510,014	242,471	218,420	2,095,951	22,161,095

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Notes to the financial statements (continued)

16. Cash and Cash Equivalents

	2023/2024	2022/2023
	Kshs	Kshs.
K.C.B. Ongata Rongai -Revenue	-	(433,409)
K.C.B. Expenditure Account	-	9,373
K.C.B. Deposit Account	1,094,523	324,588
Posta Corporation	222,540	105,570
Post Bank	70,926	149,933
MPESA	311,184	94,507
Equity Bank CLSG account	5,532	5,532
Equity Bank collection account	295,985	225,610
	2,000,691	481,615
Cash In Hand	9,890	3,154
Office Petty Cash	9,890	3,154
	2,010,580	484,768

17. Ordinary Share Capital, Retained Earnings and Reserves

	2023/2024	2022/2023
	KShs.	Kshs.
17. (a) Authorized		
5000 Ordinary shares of Kshs. 20 each	100,000	100,000
Issued:		
5000 Ordinary shares of Kshs. 20 each	100,000	100,000
17.(b) Reserves		
Capital Reserve	3,817,836	3,817,836
General Reserve	(263,301,429)	(205,602,891)
	(259,383,593)	(201,685,055)

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Notes to the financial statements (continued)

General reserves/Retained Earnings

The retained earnings represent amounts available for distribution to Oloolaiser Water Company limited shareholders. Undistributed retained earnings are utilised to finance the Company's business activities.

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Notes to the financial statements (continued)

18. Trade and other receivables

	2023/2024	2022/2023
	Kshs.	Kshs.
Trade Receivables (Water Supply Debtors) note 12 (a)	139,366,542	132,359,418
Provision for doubtful debts	(18,865,419)	(18,865,419)
Electricity Deposit	2,500	2,500
Rent Deposit	296,040	296,040
Water Deposit	1,500	1,500
W.S.T.F Accounts	6,000	6,000
Staff Debtors (note 12(b))	783,873	510,903
	121,591,036	114,310,942

18. (a) Trade Receivables		
Gross trade receivables	139,366,542	132,359,418
Provision for doubtful receivables	(18,865,419.00)	(18,865,419)
Net trade receivables	120,501,122.82	113,493,999.03
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	6,160,001	5,850,286
Between 30 and 60 days	3,595,657	3,414,873
Between 61 and 90 days	4,320,363	4,103,142
Between 91 and 120 days	3,219,367	3,057,503
Over 120 days	122,071,154	115,933,614
Total	139,366,542	132,359,418

18 (b) Staff Debtors		
Gross staff advances	783,873	510,903
Provision for impairment loss	-	0
Net staff advances	783,873	510,903
Less: Amounts due with one year	(783,873)	(510,903)
Amounts due after one year	-	-

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Notes to the financial statements (continued)

19. Trade and Other Payables

	2023/2024 Kshs.	2022/2023 Kshs.
Trade Creditors	78,233,415	66,491,259
Net Salaries	41,605,000	25,102,810
N.H.I.F	2,584,959	2,531,159
N.S.S.F	4,855,600	1,551,560
Board Allowances Net	880,000	105,000
NITA	378,370	297,070
Paymaster General	17,624,967	11,124,430
Laptrust	92,331,991	79,806,454
Honoraria Net	720,000	480,000
KCGWU	1,087,600	788,800
OWSWA Welfare Association	1,640,000	1,131,000
Liberty Life Assurance	4,851	4,851
COTU	783,045	669,495
ICEA Lion Insurance	7,635	7,635
Pan African Insurance	653	653
Gratuity	8,878,831	5,858,997
Sanlam life assurance	4,991	4,991
Agencies Unreceipted Deposits	2,295,256	2,048,157
Standard Chartered	10,496,561	9,470,180
Ukulima Sacco	3,218,803	3,518,800
Staff creditors	983,615	835,321
Auditor General	2,262,000	2,030,000
KIRA Withholding	1,054,973	1,063,334
Loan from Deposit account	19,624,450	19,624,450
Prepaid Water	1,974,386	1,271,563
WASREB	31,574,045	26,818,465
W.R.M.A	7,403,956	6,460,440
Tanathi Water Services Board-Licensee's remuneration		-
Commissioner of Income Tax	2,214,980	2,214,980
K.C.B. Ongata Rongai -Revenue (Overdrawn)	703,709	-
K.C.B. Expenditure Account (Overdrawn)	1,459	-
	335,430,098	271,311,853

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Notes to the financial statements (continued)

20. Refundable customer Deposits

	2023/2024	2022/2023
	Kshs.	Kshs.
Customers' Deposits	1,141,418	370,418

21. Contingent liability

	2023/2024	2022/2023
	Kshs.	Kshs.
Tanathi Water Services Board-Licensed's remuneration	50,970,780	50,970,780

22. Capital Grant

	2023/2024	2022/2023
	Kshs.	Kshs.
Grant	15,988,810	15,988,810
Liquidated	-	-
Balance Carried Forward	15,988,810	15,988,810

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Notes to the financial statements (continued)

23. Notes to Statement of cash flows

	2023-2024	2022-2023
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating loss	(57,698,538.28)	(32,728,538.80)
Depreciation	1,985,198.73	1,863,110.73
Operating loss before working capital changes	(55,713,339.55)	(30,865,428.07)
Increase in receivables	(7,280,093.65)	(10,751,686.18)
Increase in payables	64,889,245.00	40,529,396.05
Cash generated from/(used in) operations	1,895,811.80	(1,087,719.20)
(b) Analysis of cash and cash equivalents		
Cash at bank	2,000,690.52	481,614.77
Cash in hand	9,889.56	3,153.56
Balance at end of the year	2,010,580.08	484,768.33

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Notes to the financial statements (continued)

24. Retirement Benefit Obligations

Retirement benefit Asset/ Liability

Oloolaiser Water operates a defined contribution scheme for all full-time employees from July 1, 2012. The scheme is administered by Lap trust and Standard Chartered 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 12% Employee contribution and 15% Employer contribution per month for the lap trust and at 7.5% Employee and 12% Employer for the Standard chartered.

Retirement benefit Asset/ Liability

Oloolaiser Water operates a defined contribution scheme for all full-time employees from July 1, 2012. The scheme is administered by Lap trust and Standard Chartered 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 12% Employee contribution and 15% Employer contribution per month for the lap trust and at 7.5% Employee and 12% Employer for the Standard chartered.

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Notes to the financial statements (continued)

Other Disclosures

25. Related Party Disclosures

County Government of Kajjajo

The County Government of Kajjajo is the principal shareholder of the Company, holding 100% of the Company's equity interest.

Other related parties include:

- The Ministry of Water-Kajiado county
- Athi Water Works Development Agency
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors

Transactions with related parties

	2023-2024	2022-2023
	KShs	KShs
a) Grants		
1. Grant from County Government of Kajjajo	0	12,854,740
Total	0	12,854,740
b)Key management compensation		
1. Directors' emoluments	1,819,764	2,314,228

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	2023-2024	2022-2023
	Kshs	Kshs
2. Compensation to Managing Director	4,080,000	2,552,000
3. Compensation to key management	9,882,000	8,930,000
Total	15,781,764	13,796,228

26. Financial Risk Management

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

(i) Credit risk

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

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

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

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	Fully performing Kshs	Impaired Kshs	Past due Kshs
At 30 June 2024			
Trade Receivables	120,501,122	103,205,734	
Other Receivables	1,089,913		
Bank balances	2,010,580		
Total	123,601,615	103,205,734	
At 30 June 2023			
Trade Receivables	113,493,999	96,454,223	
Other Receivables	816,943		
Bank balances	484,768		
Total	114,795,711	96,454,223	

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

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

ii) Liquidity risk management

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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 3 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024 current year				
Trade payables	3,457,602.00	7,815,799.85	66,960,013.00	78,233,414.85
Other payables	12,041,061.00	25,863,258.56	219,292,364.00	257,196,683.56
Total	15,498,663.00	33,679,058.41	286,252,377.00	335,430,098.41
At 30 June 2023				
Trade payables	2,659,651	10,638,601	53,193,007	66,491,259
Other payables				

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	16,136,196	24,608,010	164,076,388	204,820,594
Total	18,795,847	35,246,611	217,269,395	271,311,853

(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 objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

a) Foreign currency risk

The Company has no transactional currency exposures.

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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. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises from interest rate movements on the company's deposits. To mitigate this risk, the Management has endeavoured to bank with institutions that offer favourable interest rates.

c) 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.

	2023-2024 K shs	2022-2023 K shs
Retained earnings	(263,301,429)	(205,602,891)
Capital reserve	3,817,836	3,817,836
Total funds	(259,483,593)	(201,685,055)
Less: cash and bank balances	2,010,580	385,411
Gearing	0%	0%

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27. Going Concern

The financial statements reflect a negative working capital of Kshs 243,394,785 and negative revenue reserves of Kshs 263,301,429 which was due to accumulated losses over the years. The main cause of the Company reporting losses was due to dilapidation of its pipeline network which led to high non-revenue water, drought, outdated tariffs, and destruction of pipeline by road construction agencies among others. Some of the measures the Company has put in place to mitigate/revert the position in coming months are as listed below

- i. Renewal of pipeline in Ongata Rongai and Kiserian under Nairobi Satellite Towns Water and Sanitation Project which is anticipated to be complete by December 2024. The renewal is expected to reduce non-revenue water to below 20%. Under the project the Company will also get additional water of 10,000 cubic meters from the northern collector and newly developed boreholes.*
- ii. The Company has applied for a tariff review to match up water charges with the operating cost which is approved in the Financial Year 2023/2024 awaiting gazette notice for implementation.*
- iii. The Company in conjunction with stakeholders like the Kajado County Government, Athi Water Works Development Agency is in the process of identifying some boreholes which will be solarized to cut on power costs.*
- iv. Improvement in operational efficiencies through acquiring a new billing system which automates meter reading, billing and revenue collection, setting up a non-revenue team to address NRW issues.*

Based on the above measures put in place to reverse the current position, the Company has no doubt on its going concern

28. Incorporation

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

29. Events After the Reporting Period

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

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20. 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.

2018/2019					
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Going concern status of the Company not disclosed in the financial statements	Management concurred and adjusted the financial statements for the disclosure. Strategies in place to resolve the issue of going concern were given.	Managing Director Wilson Munguti	Ongoing	December 2024
2.	Company's Non-revenue water was above the regulator's recommendation of 8.34% above the industry ceiling of 25%	The high non-revenue water was due to dilapidated pipeline that the Company uses in distribution.	Technical Manager Peter Juma	Ongoing	June 2025
2019/2020					

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Referenc e No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Inaccuracy in the financial statements	Assets the Company uses for revenue generation have not be handed over. Amount in the reserve includes loss for the period	Antony Muriuki Finance Manager	Resolved	
2.	Budget was not met in both revenue and expenditure	Pipeline destruction and power disconnections resulted to low revenue generation below the projected amounts	Nicholas Ntintian Commercial Manager	On going	June 2025
3.	Unresolved prior year matters	The management included the progress in implementation of prior year audit issues	Antony Muriuki Finance Manager	Ongoing	
4.	Lack of ICT and risk management policy	The Company was in the process of developing the policies	Managing Director Wilson Munguti	Ongoing	December 2024

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2021/2022					
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation	Status: (Resolved / Not Resolved	Timeframe: (Put a date when you expect the issue to be resolved)
5.	Lack of staff establishment	The Company was in the process of developing one	Human Resource Manager Faith Lekato	Resolved	
1.	Unsupported bank balance	Management requested for the certificate from the bank which have not been provided	Finance manager	resolved	
2.	Receivables and provision for doubtful Debts-Lack of thresholds for	The management has developed a debt management policy which stipulates the age of the debt to be	Finance Manager	resolved	

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	calculation of provisions.	provided for at which rate			
3.	Inaccuracies in the statement of cash flows	Current year financial statements comparative figures adjusted to reflect correct figures	Finance Manager	Resolved	
4.	Misstatement of Budget amounts.	Budget figures agree, to further discuss with auditors	Finance Manager		
5.	Trade and other payables- Long outstanding debts	The Company experienced challenges which led to poor performance hence non-payment of its debts. Project in	Managing Director	Not Resolved	

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		place to improve revenues			
6.	Budgetary control and performance- under expenditure and underperformance.	The Company experienced challenges which led to poor performance hence non-payment of its debts. Project in place to improve revenues	Managing Director	Not Resolved	June 2025
7.	Unresolved prior year matters	Company engaging with the Auditors to resolve the pending issues	Managing Director	Ongoing	
2022/2023					
1	Receivables and provisions for bad and doubtful debts	The Company is in the process of reviewing its manual to put a threshold. The	Managing Director	December 2024	

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		<p>Company has also setup an old debt recovery team and is in the process of procuring a firm to help.</p>			
2	Customer deposits	<p>The variance emanates from bank charges on the account and also some deposits which customers deposited erroneously in the revenue account and had not been transferred to the correct account.</p>	Finance Manager	December 2024	
		<p>The Company borrowed the funds in accordance with</p>			

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		the laid down procedures and also maintains an amount which can caution in the event a customer requests for a refund			
3	Non-Adherence to Fiscal Responsibility Principles on Employee Costs	This occurred due to reduction in water produced due to drought and other factors which in turn affected revenues generated. The Company has frozen recruitments to align the costs with the set threshold.	Managing Director	Ongoing	

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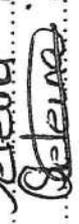
		<p>The Company has also put on measures to improve on revenues.</p>			
<p>4. Irregularities in Human Resource Management</p>		<p>The Company was in the process of recruiting a substantive holder of the position hence the Board approved the extension for the process to be completed. Due to financial challenges the Company engages casuals to offer security services.</p>	<p>Human Resource and Administrations Manager</p>	<p>December 2024</p>	

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	5. Delay in Completion of Rehabilitation of Kimuka Water Project	The delay in completion was due to lack of finances that the Company was to inject in the project over and above of what was financed by Water Sector Trust Fund.	Managing Director	June 2025	
6.	Failure to File Annual Returns with the Registrar of Companies	The is due to challenges in updating the change of Directors and shareholding with the Registrar of Companies.	Managing Director	December 2024	
7.	Poor Revenue Management	The Company is in the process of acquiring a billing	Commercial Manager	December 2024	

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		system and meter reading application that will enhance the process of meter reading, billing and other revenue processes		
8.	Outdated Water Tariffs	The Company was in the process of renewing the tariff. This was approved in May 2024 and waiting for a Gazette Notice for the Company to start implementing	Managing Director	November 2024

Name... Gladys Selema... Mar... MA
 Signature... 
 Managing Director
 Date... 2/1/2025