

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**GATANGA WATER AND SANITATION
COMPANY LIMITED**

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

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY
Nyora - 396
30 SEP 2024



GATANGA WATER
& SANITATION COMPANY LIMITED

GATANGA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

Prepared in accordance with the International Financial Reporting Standards (IFRS)

GATANGA WATER AND SANITATION COMPANY LIMITED

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

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Acronyms and Glossary of Terms

GATANGA WATER AND SANITATION COMPANY LIMITED

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Provide the list of acronyms and glossary of terms used in your annual report and financial statements.

e.g.,

IFRS	<i>International Financial Reporting Standards</i>
MD	<i>Managing Director</i>
NT	<i>National Treasury</i>
PFM	<i>Public Finance Management.</i>
PSASB	<i>Public Sector Accounting Standards Board</i>
AWWDA	<i>Athi Water Works Development Agency</i>
GATAWASCO	<i>Gatanga Water and Sanitation Company</i>
NWWSA	<i>National Water Harvesting Authority</i>
WSTF	<i>Water Sector Trust Fund</i>

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1. Key Gatanga Water and Sanitation Company Information

a) Background information

The company was established under the Company Act of 2015 in March 2023 where previously it operated under the name Gatanga Community Water Scheme. It is wholly owned by Murang'a County Government.

b) Principal Activities

The principal activity of the Company is to ensure efficient and effective provision of water services in its area of jurisdiction. The mandate and objectives of Gatanga Water and Sanitation Company Limited are enshrined in the company deed. The principal object of the Company is to carry out the business of water provision within the area under its jurisdiction as provided for in the Service Provider Agreement.

c) Directors

The Directors who served the Gatanga Water and Sanitation Company during the year/period were as follows:

New board of Directors

- | | | | |
|-----|---------------------------------------|--------------------|--|
| 1. | Rev. Julius Wanyoike | -Chairman | - Appointed on 27 th January 2023 |
| 2. | Joseph Kiarie Mwaura | - Member | - Appointed on 27 th January 2023 |
| 3. | Mary Muthoni Magochi | - Member | - Appointed on 27 th January 2023 |
| 4. | Joseph Gachuhi Mwangi | - Member | - Appointed on 27 th January 2023 |
| 5. | Edise Wairimu Ndirangu | - Member | - Appointed on 27 th January 2023 |
| 6. | Peter Njuguna Kimani | - Member | - Appointed on 27 th January 2023 |
| 7. | Lucy Wanjiru Kamau | - Member | - Appointed on 27 th January 2023 |
| 8. | The Late Prof. Joseph Karanja Thiongo | - Member | - Appointed on 27 th January 2023** |
| 9. | Tabitha Mwilu Nyiva | - Member | - Appointed on 27 th January 2023 |
| 10. | John K. Kairu | -Managing Director | - Appointed on July 2021 |

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d) Registered Office

Gatanga Water and Sanitation Company Limited

P.O. Box 6133-01000, Thika

Mabanda Do's Office compound

Thika-Gatanga road

e) Corporate Headquarters

Gatanga Water and Sanitation Company Limited

P.O. Box 6133-01000, Thika

Mabanda Do's Office compound

Thika-Gatanga road

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Key Gatanga Water and Sanitation Company Information (continued)

f) Corporate Contacts

Telephone: (254) 0708688778, 0708686360

E-mail: gatawa@yahoo.com

Website: www.gatangawater.co.ke

g) Corporate Bankers

1. Barclays Bank of Kenya-Thika branch

P.O. Box 219-01000,

Thika

h) Independent Auditors

Auditor-General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

i) Principal Legal Advisers

1. The Attorney General

State Law Office and Department of Justice

Harambee Avenue

P.O. Box 40112

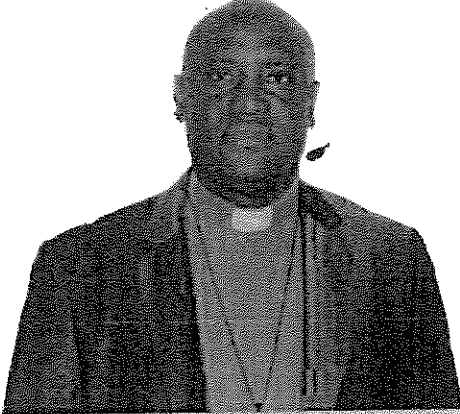

City Square 00200

Nairobi, Kenya

GATANGA WATER AND SANITATION COMPANY LIMITED


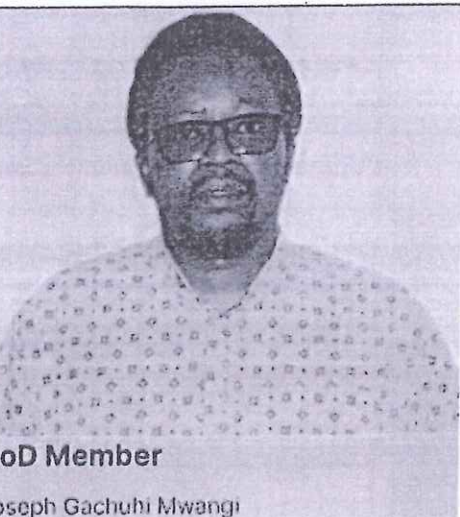
Annual Report and Financial Statements for the year ended June 30, 2024

2. The Board of Directors

Ref	Board members	Details
1.	 <p>Board Chairman Rev / PhD Julius Wanyoike DOB 27/04/1967</p>	<p>He is a Vice Chancellor, All Nations Christian Church University (ANCCIU)</p> <p>He is also a board member World Renew, Kenya</p> <p>Has a PHD in Missiology</p>
2.	 <p>BoD Member_CECM Finance Joseph Kiarie Mwaura DOB 00/00/1971</p>	<p>He is a certified Governance Auditor</p> <p>The CECM Finance and Economic Planning in the Murang'a County Government</p> <p>Previously worked as a Vice Chancellor of Riara University and as Director of the International Erasmus</p> <p>Member in the Audit and Finance, Human Resource and Administration Committee</p>



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3.	 <p>BoD Member_CECM Water Mary Muthoni Magochi</p>	<p>The CECM Water, Irrigation, Environment and Natural Resources in the Muranga County Government</p> <p>Member in the Technical Services Committee</p> <p>DOB 12/08/1983</p>
4.	 <p>BoD Member Joseph Gachuhi Mwangi</p>	<p>He holds a B.A Hons (Sociology & Economics)</p> <p>Chairperson in the Audit Committee</p>


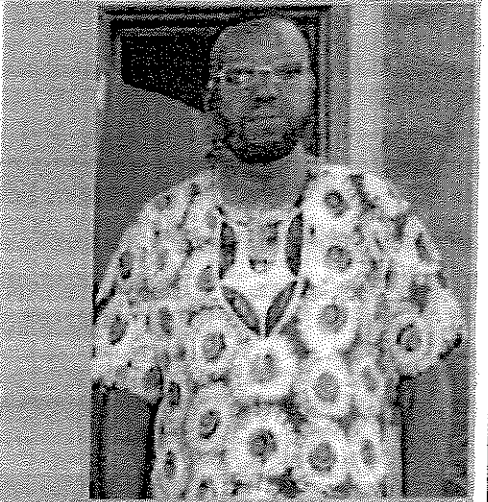
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5.	 <p>BoD Member Edise Wairimu Ndirangu</p>	<p>A board member in various schools She holds a Masters in Theology She is accredited counsellor Member in the Finance, Human Resource and Administration Committee</p> <p>DOB 15/11/1975</p>
6.	 <p>BoD Member Peter Njuguna Kimani</p>	<p>An advocate of the High Court of Kenya with 21 years post admission experience, Commissioner for Oaths, Notary Public.</p> <p>He is a certified Public Secretary – CPS (K)</p> <p>He holds a Masters of Laws in Governance and Democracy</p> <p>Bachelors of Law</p> <p>Chairperson in the Finance, Human Resource and Administration Committee</p> <p>DOB 25/01/1974</p>


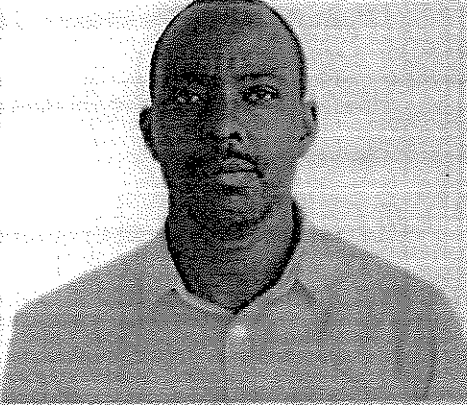
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7.	 <p>BoD Member Lucy Wanjiru Kamau</p>	<p>She holds a Bachelor of Education</p> <p>Member in the Audit Committee</p> <p>DOB 11/01/1980</p>
8.	 <p>BoD Member Prof. Joseph Karanja Thiongo</p>	<p>Chairman Ngere Tea Factory Limited</p> <p>Has a PhD in Corrosion Science and Engineering</p> <p>Chairman in the Audit Committee</p> <p>DOB 16/08/1956</p>

GATANGA WATER AND SANITATION COMPANY LIMITED

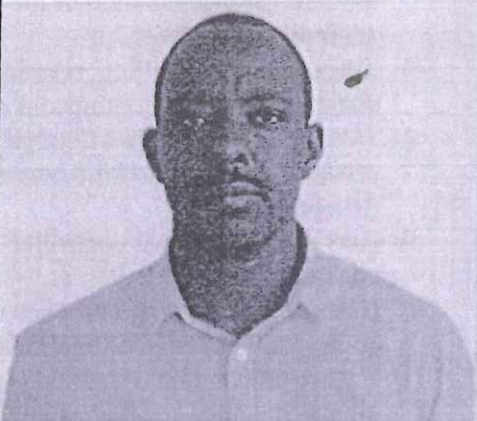
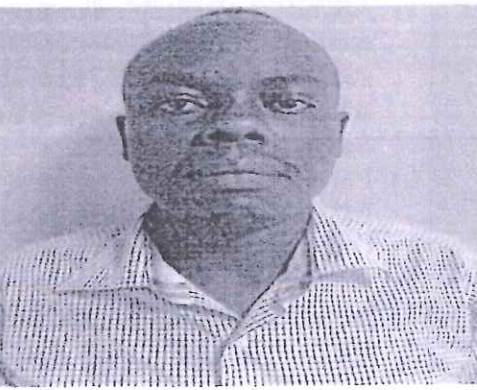
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9.	 <p>BoD Member Tabitha Mwilu Nyiva</p>	<p>She holds a Bachelor of Arts in Education</p> <p>Member in the Audit Committee</p> <p>DOB 30/09/1996</p>
10.	 <p>Managing Director John Kiarie Kairu</p>	<p>He is the Managing Director of Gatanga Water and Sanitation Company Ltd</p> <p>Has over 10 years' experience in water sector</p> <p>He holds a BSC in Water & Environmental Engineering</p>

GATANGA WATER AND SANITATION COMPANY LIMITED

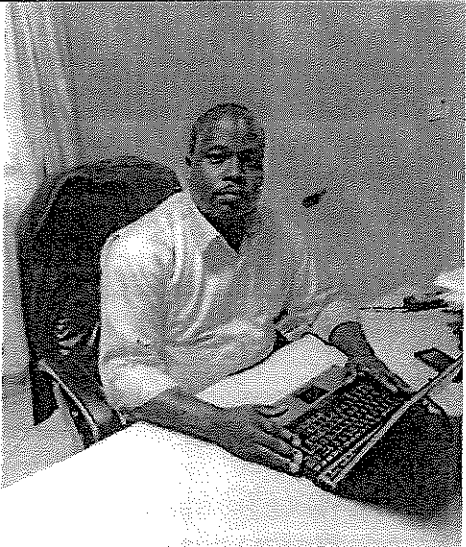

Annual Report and Financial Statements for the year ended June 30, 2024

3. Key Management Team

Ref	Management	Details
1.	 <p>Managing Director John Kiarie Kairu BSC. Water & Environmental Engineering</p>	<ul style="list-style-type: none"> a) Developing for the approval of the Board, strategic and business plans, including annual work-plans, budget and performance targets, b) Ensuring effective of the company strategic plan c) Ensuring safe custody and management of company's assets d) Providing strategic leadership and direction, including the management and development to the human resources of the company, e) Planning, coordinating and implementing all activities of the company in line with the policies and directives approved by the Board of Directors
2.	 <p>BERNARD KIPLAGAT - TECHNICAL MANAGER BSC. Water & Environmental Engineering</p>	<ul style="list-style-type: none"> a) Directing, coordinating, controlling, monitoring and managing the company's b) technical operations c) Designing all projects to be undertaken by the company d) Ensuring that the water is treated and that the quality meets WHO standards e) Ensuring that Unaccounted For Water (UFW)/Non Revenue Water id reduced to f) acceptable levels g) Ensuring proper management of the technical assets h) Developing departmental strategies, targets, policies, procedures and plans to i) facilitate achievement of overall company's objectives j) Taking responsibility for training, development and motivation of the departmental staff k) Ensuring that the needs of the customer are effectively met

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3.	 <p>KUNGU KIMEMIA A.g COMMERCIAL MANAGER CPAK(BCOM on going)</p>	<ul style="list-style-type: none"> a) Establishes and ensure compliance with the financial management systems for effective implementation of the company goals and objectives. b) Ensures efficient billing, revenue collection, disbursements, accounting and report c) Oversees preparations of budgets, and periodic financial performance reports for the company. d) Acts as the Financial controller of the company e) Ensures the company complies with all contractual financial obligations. f) Ensure preparation of monthly quarterly and annual financial statements in government reporting standards g) Monitoring the utilization of Company Assets/resources and ensuring timely maintenance
4.	 <p>CAROL OTIATO - HUMAN RESOURCE OFFICER Diploma in Human Resource</p>	<ul style="list-style-type: none"> a) Aligns the company's human resources requirements to the company's immediate short, medium and long term goals for the achievement of the company's goals and overall objectives. b) Plays a key role in recruitment, placement, training and development of staff c) Guide and coordinate periodic staff appraisals d) Manage staff grievances in accordance with the company polices and Kenyan labour laws e) Provide data, information and advice to management on all issues relating to HR f) Ability to work under pressure and meet deadlines with minimum supervision g) Coordinates the company's disciplinary matters h) Responsible for staff training and development

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4. Chairman's Statement

The financial year 2023/2024 has come to close and it gives me pleasure to release our annual report and financial statement for the year ended 30th June 2024. During the year we have seen improved revenues and we have made significant progress towards our service delivery and sustainability in the growth. The Collection of revenue have continued to grow and as evidenced in the report received Ksh 62,893,297 from Ksh. 56,365,844 registering growth of 11%.

Projects and Achievements;

- The company commenced the Augmentation of Ithanga Water supply project – The project is being implemented by Athi Water Works Development Agency worth Ksh. 4B. The project has been phased into three phases. With the completion of phase I and phase II, the company has been able to interconnect the new pipeline to the old existing pipeline as we wait for the completion of phase III. Through this we have been successful to install over 800No. of water connections. The phase III is the connection of last mile of over 190Km of distribution pipes of HDPE assorted sizes from 160mm to 25mm diameter. This will be a game changer since we shall realize at least 2,000No. of water connections.
 - Phase I – 6.2km of diameter 450mm raw water main from Blue post to BAT treatment facility is 100% complete.
 - Phase II – 39.154km of pipeline ranging from diameter 355mm, 300mm, 200mm, 160mm and 90mm of HDPE pipeline is 100% complete
 - Phase III – 198km of assorted sizes from diameter 160mm, 110, 90mm, 63mm, 50mm and 25mm is ongoing and implemented by the contractor and the Company.
- KigoroKiunyuSamuru Pipeline – The project stands at 99% to completion and it is anticipated to be completed by October 2024, the remaining components is the installation of water appurtenances, flushing and testing as well as interconnection to the existing network. The pipeline involves construction of 6km 315mm, 2km 250mm, 1.9km 200mm and 4km 160mm.

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The project is being implemented by AWWDA at a cost of Ksh. 180M. The project will play a vital role in activating the 1,000No. Dormant connections in Ndunyu Chege, Gitiri, Nja-ini, Mukurwe, Jasho, Kihumbu-ini and Kiunyu. Increase supply hours to 20Hrs and billing as well as new connections

- Kihumbu-ini water supply project worth Ksh. 17.9M is complete, implemented through Water Sector trust Fund. The project aims at reducing NRW by rehabilitating 6.48Km of pipeline, increase hour of water supply, and metering 1,000No. Connections in Kihumbu-ini ward.
- Makiama intake project of Ksh. 29M. was completed in Dcember 2023. The new intake will increase volumes of water to Karangi Treatment facility. This will reduce water shortage in the lower areas of Rwegetha and Mabae. The project was implemented by National Water Harvesting and Storage Authority (NWHSA). The rationing in this aforementioned areas have reduced as well many dormant accounts have revived.

It is imperative to note that GATAWASCO is operating under the water act 2016. Water function is devolved and therefore we are reporting to the County Government of Murang'a. Recently in May 2024, our tariff that we have applied was approved.

On behalf of the Board I take this opportunity to acknowledge the support of all stake holders, Athi Water Works Development Agency (WWDA), Murang'a County Government, Water Service Regulatory Board (WASREB), National Water Harvesting and Storage Authority (NWHSA), Water Sector Company Fund (WSTF) and the Ministry of Water and Irrigation (MWI).

I also extend my gratitude to the Board of Directors, Management, and Staff of GATAWASCO for their considerable efforts, dedication and hard work in previous year. I look forward with confidence to your continued corporation in the future. God bless you all.

Sign:

Date:

Julius N. Wanyoike (Chair)

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5. Report of the Chief Executive Officer/ MD/ DG

Gatanga Water and Sanitation Company total area of our Company is 528km² with a population of 181,303 out of which the Company has managed to cover 40% in service provision, but with the completion of the Ongoing projects the growth will be tremendous. GATAWASCO is mandated to supply water to Ithanga and Gatanga sub-county within Murang'a County.

I am pleased to present a review of GATAWASCO'S key operational performance for the year ended 30th June 2024. The review also highlights our strategic priorities in the short and medium-term focusing on improving service delivery to customers and ensuring sustainable business growth. Our role as a water service provider utility in Murang'a County is critical considering that water and sanitation services are an enabler and key drivers for economic and social development. In this regard, the Company made remarkable progress in the quest to enhance our water distribution network coverage and improve reliability of water services to our esteemed customers.

PERFORMANCE REVIEW

In the course of the year, the company's performance was in line with strategic plan and were influenced by the below achievements and challenges.

Achievements .

- The company has upgraded to a fully functional website in line with the regulator's (WASREB) requirement. This has assisted in improving the company's corporate image and will go in hand towards the implementation of the company's strategic plan.
- Performance management and staff capacity building through trainings was enhanced thus improving staff productivity.
- We have implemented a functional web based integrated customer relations module, that allows access from any location offering improved and eased efficiency, timely solving of customer requests, eliminating redundancies and duplicated roles.
- .We have introduce the new traffi which will improve the financial position of the company in year future.

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Challenges

- Culture of our customers that is delay in payments of their water bills hence affecting the normal running of our operations.
- Rural road upgrade by KERRA has led to destruction of laid down pipes hence affecting the supply of water.
- The company is still faced with high levels of NRW that has been contributed by bursts due to high pressures due to our dilapidated infrastructure, illegal connections/theft of water.
- Lack of enough resources to address issues like augmentation of distribution lines, proper treatment facilities, rehabilitation and metering that require huge sums of money.
- High operational costs caused by operations and maintenance of dilapidated infrastructure, chemicals that are now funded internally after devolution.
- Delay in implementation of new tariff by political class

Appreciation

I take this opportunity to register my gratitude to the Board of Directors for their unwavering support, the corporate management team and GATAWASCO staff for their hard work, efforts, support and commitments which has made us register a positive growth, AWWDA and County Government for their contribution and support both in kind and cash. We cannot forget the consumers of our services and suppliers who supported us throughout the year.

Change of Institutional Gatanga Water and Sanitation Company

It is also imperative to note that the company changed its institution idGatanga Water and Sanitation Company from Gatanga Community Water Scheme to Gatanga Water and Sanitation Company Limited in March 2023 as one of its strategic focus towards ensuring availability and sustainable management of water for all in line with the United Nations Sustainable Development Goal number six.

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

Within its strategy plan, Gatanga Water has four primary strategic pillars, including provision of quality, affordable, and sustainable water and services through effective corporate management that exceeds consumers' expectations. The following is a list of the strategic goals included in the current strategic plan:

- Reducing NRW level from 43% to 30% by 2026
- Increase the proportion of population accessing water services from 34% to 80% over the plan period
- Enhance access to sanitation from 95% to 99% within plan period
- Enhance institutional capacity from 50% to 80% over the plan period
- Increase operational financial sustainability from 91% to 120% over the plan period
- Mainstreaming crosscutting issues e.g. access to water in pro-poor areas, Gender, HIV and Corporate Social Responsibility.

No.	PROJECT	SCOPE	RESULT AREAS
1.	<p>Improvement of ICT portfolio i.e.</p> <ul style="list-style-type: none"> - Training of the staff on the use of the new system - Employment of the ICT officer <p>Status: Complete</p>	<p>continuous training and system enhancement</p>	<ul style="list-style-type: none"> - Improved billing accuracy - Improved billing and mobile meter reading - Smart Mapping - Network standardization and security - Data recovery - Website upgrade - Improved Data quality and report generation

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2.	<p>Makiama Intake Ksh. 29M</p> <p>The project was implemented by National Water Harvesting and Storage Authority (NWHSA)</p> <p>Status: Complete</p>	<p>Construction of intake</p>
3.	<p>GIS Mapping and Data Collection</p> <p>Status: Ongoing</p>	<p>Data collection for project base</p>

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7. Corporate Governance Statement

Gatanga Water and Sanitation Company Limited is incorporated under the Companies Act of 2015.

Under section 47(h) of the Water Act 2002 Water Services Board developed a guideline for and provide advice on the cost effective operation of water services.

This can only be achieved if the leadership in the water services sector is good.

Good governance is embedded in the tenets of corporate governance.

This has been adhered to by senior management of Gatanga Water and Sanitation Company Limited by governing the Gatanga Water and Sanitation Company Limited which entrenches and enhances the objectives agreed to in the Memorandum of Understanding.

The good governance has ensured;

- The stability and credibility of the water provision

- Improved the relationship between the water providers and the customers ensuring efficiency in the provision of services

The Board of Directors has been adhering to the Memorandum of Understanding as Agents of the Water Services Board.

The Board of Directors as per the guideline of Water Services Board signed the code of conduct of ethics, schedule of full budget and approve an annual budget in consultation with respective stakeholders. This means that the board of Directors make the strategic decisions and appoint managers for the smooth running of the water provision. The Directors are from different professional backgrounds.

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The board has formed various committees namely; finance, human resource and administration, technical services and audit committee. This has enhanced the good productivity of the company.

The board has also been trained on Corporate Governance i.e. they have gone through a thorough training on their roles, duties, responsibilities and obligation as well as the Board practices and procedures on first appointment.

The board also ensures various reports have been submitted to the relevant institutions as required and policies and regulations are adhered to by the company including the statutory deduction and subsequent remittance.

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8. Management Discussion and Analysis

The water utility is owned by County Government of Murang'a. There were no grants received in the financial year 2023/2024, Gatanga Water and Sanitation Company Limited finances its operations and it's self-sustaining

The company has formed a non-revenue team which is working to ensure that there is minimum water loss.

Gatanga Water and Sanitation Company Limited complies with various statutory requirements that is the Water Act of 2016 and Company Act of 2015. The company is not exposed to any Contingent liabilities.

The projects are financed either through internally generated revenue, grants from Government and Development partners. The scheme has a role to play since the existing project funded by the national Government and development partners financing through performance /result bases financing.

Operational Risks.

The scheme inherited old dilapidated infrastructure and this has contributed to high non-revenue water. During the years the scheme has invested in various projects to improve the infrastructure. However, the funds required for overhauling the whole network is beyond the scheme's affordability.

Market Risks.

The scheme has no interest-bearing financial instrument and has no any outstanding loan.

Capital Risk

The company is not exposed to capital risk

Credit risk.

The scheme supplies water on credit and gives the customers a period of 14 days to clear their bills. However, not all consumers are able to clear their bills on time, this gives rise to credit risk. At the end of the year the trade receivables (water sale debtors) amounted to Ksh. 85,309,358 after adding back prepaid customer bills(ksh.820,120) of which Kes.27, 536,658 has been provided as specific bad debts as they could not be traced.

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Liquidity risks

The scheme has various obligation and liabilities. The scheme manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flow

9. Environmental and Sustainability Reporting

The following is a summary of the organization's policies and initiatives that support sustainability. This is our purpose; the inspiration behind everything we do. It directs us in executing our strategy, putting the customer/citizen first, providing relevant goods and services, and enhancing operational excellence.

i) Sustainability strategy and profile

Through the National Water and Sanitation Investment Plan. The Company developed various proposals to Athi Water Works Development Agency, Water Sector Company Fund and National Water Harvesting and Storage Authority. The projects implemented is Ithanga Water Supply and others are ongoing like Kigoro Kiunyusamuru pipeline and Makiama intake construction.

ii) Environmental performance

The Company has made some significant efforts to improve environmental performance by having in place environmental protection plan in place also we have incorporated social groups for forestation of water towers. GATAWASCO have made proposals for plot level sanitation and Decentralized Treatment Facilities and UBSUP toilets to Water Sector Company Fund.

iii) Employee welfare

The policies guiding the hiring process are the Company's human resource policy, labour laws and employment act.

During recent hiring GATAWASCO has been putting the two-thirds gender rule into consideration as we have set in our human resource policy. The number of female employees has improved compared to last financial year.

The Company is in the process of creating a performance management policy document and we have signed performance contracts with employees in an effort to improving the overall performance of staff.

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GATAWASCO recognizes its corporate responsibility under the Occupational Safety and Health Act of 2007 (OSHA 2007), Employment Act of 2007 and the Work Injury Benefits Act of 2007(WIBA) and related legal notices.

In fulfilling this responsibility, the company will undertake to observe Occupational safety and Health standards well beyond the minimum statutory requirement.

The company will adopt all reasonable and proactive measures to:

- i. Create a safe working environment;
- ii. Uphold environmentally friendly practices;
- iii. Provide appropriate training and awareness to its employees;
- iv. Take responsibility for Occupational Health Safety and Environment of the work place;
- v. Continuously monitor Occupational Health, Safety and Environment through regular inspection and Audits

iv) Market place practices-

The business keeps up good, ethical marketing techniques like holding barazas, having a customer service representative, engaging clients through sms platforms, and running advertisements on the company website.

a) Responsible competition practice.

The Company has an anti-corruption policy that is upheld. For any project we intend to undertake, we consult with the County Government of Murang'a, who then give a letter of no objection after competitive procurement process. The annual tenders are also advertised through the public print media and evaluated in accordance to Public Procurement and Asset Disposal Act, 2015. The boundaries of WASREB, which are expressly stated in the license, serve as a guide for fair competition and respect for competitors.

b) Responsible supply chain and supplier relations

The Company has a contract with our prequalified suppliers who underwent tender evaluation process as per the procurement act law. Payment terms with our suppliers is on credit term basis and payment is made upon delivery of all goods requested. In case of part payments or delayed payments, the company enters into a part payment agreement with the supplier on a reasonable monthly commitment payment structure.

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c) Responsible marketing and advertisement

The company advertise through the public media means for the supply of goods and services also for the civil works. All the tenderers are evaluated in accordance the procurement laws. For the recruitment of staff is done through the recruitment agencies and the local dailies where they are engaged in a competitive manner without favours but merit.

d) Product stewardship

The company makes efforts to safeguard consumer rights and interests through:

- Provision of quality water to the customers as per the WASREB water quality guideline 2018
- Adherence to the regulated tariff by WASREB
- Customer relations module to sort customer's queries
- Maintaining of confidentiality on customer database

v) Corporate Social Responsibility / Community Engagements

Gatanga Water and Sanitation Company Limited shall endeavour ensure to be responsible to its corporate citizens and taking into considerations to interest of all stakeholders and the community in which we operate.

GATAWASCO has ensured that the local has enjoyed the existence of the Company by employing some of the locals' persons with required qualifications. The Organization also ensure it promote and is sensitive on preservation and protection of the environment by playing part on planting of trees.

The Company also visits the pro-poor areas and helps them especially with free piped water for up to 6000litres per month. This has improved the area they live in.

The Company furthermore ensures participation of stakeholders by calling for meetings and allows them to air their views to better the society

GATANGA WATER AND SANITATION COMPANY LIMITED

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

10. Report of the Directors

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

i) Principal activities

The principal activities are to ensure availability of sustainable, affordable and quality water services to the residents living within the scheme area (Gatanga District) of operation or jurisdiction by sourcing, treating, distributing and water conservation while billing and collecting revenue from the water consumers who are the residents of the area.

ii) Results

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

Below is summary of the loss made during the year.

INCOME		2022/2023	2021/2022
	NOTE	KSHS	KSHS
Water sales	6	60,490,605	55,598,020
Grants	8	525,903	770,690
Other income	9	702,853	7,248,847
TOTAL INCOME		61,719,361	63,617,557
OPERATION EXPENSES			
Administration & operating Expenses	10	68,458,834	69,108,015
Depreciation of PPE & Amortization	13	2,168,711	4,075,693
TOTAL OPERATING EXPENSES		70,627,545	73,183,708
Deficit for the year before tax		(8,908,184)	(9,566,151)
Income tax		-	-
DEFICIT FOR THE YEAR ENDED		(8,908,184)	(9,566,151)

iii) Dividends

The company does not give divided to the Directors.

GATANGA WATER AND SANITATION COMPANY LIMITED

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

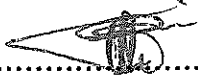
iv) Directors

The members of the Board of Directors who served during the year are shown on page iii& iv

Auditors

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

By Order of the Board



Name *John K. Kareru*

Secretary to the Board

Date *30/09/2024*

GATANGA WATER AND SANITATION COMPANY LIMITED

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

11. Statement of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012 require the Directors to prepare financial statements in respect of Gatanga Water and Sanitation Company Limited, which give a true and fair view of the state of affairs of Gatanga Water and Sanitation Company Limited at the end of the financial year/period and the operating results of Gatanga Water and Sanitation Company Limited for that year/period. The Directors are also required to ensure that Gatanga Water and Sanitation Company Limited keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Gatanga Water and Sanitation Company Limited*. The Directors are also responsible for safeguarding the assets of the *Gatanga Water and Sanitation Company Limited*.

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

The Directors responsibility for Gatanga Water and Sanitation Company Limited's 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.

GATANGA WATER AND SANITATION 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 tGatanga Water and Sanitation Company Limited's financial statements give a true and fair view of the state of *Gatanga Water and Sanitation Company's* transactions during the financial year ended June 30, 2024, and of the *Gatanga Water and Sanitation Company's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *Gatanga Water and Sanitation Company*, which have been relied upon in the preparation of the *Gatanga Water and Sanitation Company's* financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the Gatanga Water and Sanitation Company's ability to continue as a going concern OR

Nothing has come to the attention of the Directors to indicate that the *Gatanga Water and Sanitation 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

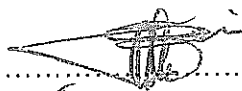
Gatanga Water and Sanitation Company Limited's financial statements were approved by the Board on 30th September 2024 and signed on its behalf by:

.....
Name

Chairperson of the Board/Council

.....
Name

Accounting officer



JOHN K. LAIRD

REPUBLIC OF KENYA

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



Enhancing Accountability

HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON GATANGA WATER AND SANITATION 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 Gatanga Water and Sanitation Company Limited set out on pages 1 to 48, which comprise the statement of financial

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

In my opinion, except for the effects of the matters described in the basis for qualified opinion section of my report, the financial statements do present fairly, the financial position of as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies In Staff Costs

The statement of profit and loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects staff costs of 39,408,743 which includes expenditure of Kshs.35,237,409 paid to staff as gross salaries and allowances which differ with supporting schedule balance of Kshs.33,471,968. resulting to an unexplained and unreconciled variance of Kshs.1,765,441.

In the circumstances, the accuracy of the gross salary and allowances expenditure of Kshs.35,237,409 could not be confirmed.

2. Unsupported Deferred Income

The statement of financial position and as disclosed in Note 44 to the financial statements reflects deferred income of Kshs.13,632,433 which was not supported by documents showing nature of the income, when it was earned and the work plan for the activities to be carried.

In the circumstances, the accuracy and completeness of deferred income balance of Kshs.13,632,433 could not be confirmed.

3. Unaccounted for Refundable Deposits and Prepayments

The statement of financial position and as disclosed in Note 43 to the financial statements reflects refundable deposits and prepayments balance of Kshs.13,730,120 which differs with the bank statement for deposits account balance of Kshs.1,254,054 resulting to unreconciled and unexplained variance of Kshs.12,476,066. Further, the amount was not been supported by movement schedules showing opening balance, additions during the year, payments during the year and the closing balance as at 30 June, 2024.

In the circumstances, the accuracy and completeness of refundable deposits and prepayment balance of Kshs.13,730,120 could not be confirmed.

4. Cash and Bank Balance

4.1 Lack of Cashbooks and Bank Reconciliations

The statement of financial position and as disclosed in Note 32 to the financial statements reflects cash and bank balance of Kshs.3,032,830. However, the supporting bank reconciliation statements and cashbooks were not provided for audit contrary to section 90(1) of the Public Finance Management (National Government) Regulations, 2015.

4.2 Undisclosed Bank Accounts

During the year under review, it was observed that the Company operated four bank accounts, whose details were not disclosed in the financial statements. Further, Management explained one bank account with a balance of Kshs.253,452 has since been closed. The authority from The National Treasury to operate the four (4) commercial bank accounts was not provided contrary to Section 28(1) of the Public Finance Management Act, 2012.

In the circumstances, the accuracy and completeness of cash and bank balance of Kshs.3,032,830 could not be confirmed.

5. Unsupported Inventories

The statement of financial position and as disclosed Note 28 to the financial statements reflects a balance of inventories at Kshs.308,695 which was not supported by ledger schedules or stores ledger.

In the circumstances, the accuracy and completeness of inventories valued at Kshs.308,695 as at 30 June, 2024 could not be confirmed.

6. Unsupported Short -Term Deposits

The financial statement and as disclosed in Note 31 to the financial statements reflects a short-term deposit balance of Kshs.3,032,830 which was not supported schedules.

In the circumstances, the accuracy and completeness of short-term deposit Kshs.3,032,830 could not be confirmed.

7. Going Concern of the Entity

The statement of financial position reflects total current assets balance of Kshs.64,236,272 against total current liabilities balance of Kshs.78,613,278, resulting to a negative working capital of Kshs.14,377,006.

In the circumstances the Company may not be able to meet its current obligations as and when they fall due, and its continued operation as a going concern is dependent on the support of creditors.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters to communicate in my report.

Other Matter

Prior Year Unresolved Issues

In the report of the previous year, several audit matters were raised under report on the financial statements and report on lawfulness and effectiveness in use of public resources. However, review of the progress on follow-up of auditor's recommendations showed that Management had not resolved the issues or provided satisfactory explanation for the delay in resolving the issues.

Other Information

Conclusion

The Directors are responsible for the other information set out on page iii to xxiv 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.

Basis for Conclusion

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES.

Conclusion

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

Basis for Conclusion

1. Unbalanced Budget

The statement of comparison of budget and actual reflects a final budget of Kshs.63,235,676 against expenditure of Kshs.76,489,947 resulting to unbalanced amount of Kshs.13,254,271. No documentary evidence was provided in the form of committee minutes to show the approvals of the budget. This is in is contrary Regulation 31(c) of the Public Finance Management (National Government) Regulations, 2015 which requires the budget to be balanced.

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

2. Non-Revenue Water

During the year under review, the Company produced 2,025,632 cubic meters (M³) of water, but only 1,165,251 (M³) was billed to customers at a cost of Kshs.60,488,605. The balance of 860,381 cubic Meters (M³) water which is approximately forty-two (42%) percent of the total production is unaccounted for Water (UFW) which is way above the sector recommended limit of 25%. The abnormal loss of seventeen (17%) percent or 860,381 (M³) of the water produced has resulted in loss of sales estimated at Kshs.44,768,978.

In the circumstances, the loss of sales may have adversely affected the Company's profitability and Management was in breach of Policy Guidelines and WASREB guidelines.

3. Excessive Expenditure on Staff Costs

During the year under review, Gatanga Community Water Scheme raised Kshs.61,719,361 as overall revenue and spent Kshs.39,408,743 as staff expenses. The personnel expenditure represented 64% of revenue which exceeds the regulatory threshold of 35% contrary to Section 25(1b) of the Public Finance Management (County Governments) Regulations, 2015.

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

4. Non-Compliance with Law on Ethnic Composition

A review of human resource records revealed that the Company had eighty-three (83) members of staff out of whom, seventy-four (74) or 89% were drawn from the dominant ethnic community in the County contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

In the circumstances, Management was in breach of the law

5. Non-Filing of Annual Company Returns with The Registrar of Companies

Audit examination of Statutory Returns records established that the Water Company failed to file its annual returns with the Registrar of Companies for the financial year 2023/2024 contrary to Section 705 of the Companies Act.

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

6. Non-Renewal of Service Provision Agreement

During the year under review, the Company was operating without a service provision license from the Water Services Regulatory Board (WASREB). This was with effect from 31 August 2023 upon expiry of the license and has since not been renewed contrary to Section 78 (1) of the Water Act, 2016 that requires a company providing water services within a specified geographical area to obtain an operating license.

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

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

Conclusion

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

Basis for Conclusion

Inadequate Internal Audit Function and Lack of an Audit Committee

Review of the operations of the Internal Audit functions revealed that Gatanga Community Water Scheme's Internal Audit section had only one staff member who was not able to carry out all the internal audit functions effectively. This is contrary to Regulation 155(2) of the Public Finance Management (County Government) Regulation, 2015. Further, the

Company had no Audit Committee contrary to Regulation 167(1) of Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the effectiveness of internal assurance on the Company's risk management, controls and governance could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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 pages iii to xxiv is consistent with the financial statements.
- iii. The auditable part of the Directors' remuneration report on pages iii to xxiv has been properly prepared in accordance with the Companies Act, 2015.

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 January, 2025

GATANGA WATER AND SANITATION COMPANY LIMITED

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

13. Statement of Profit or Loss and Other Comprehensive Income for the year ended 30th June 2024

	Note	2023/ 2024 Ksh.	2022/ 2023 Ksh.
Revenue			
Operating Revenue	6	60,490,605	55,598,020
Grants Income	7	525,903	770,690
Other Income	8	702,853	7,248,847
Finance income	9	-	-
Other gains/(losses)	10	-	-
Total Revenue		61,719,361	63,617,557
Expenses			
Staff Costs	11	39,408,743	34,371,226
General and Operations expenses	12	20,750,672	24,689,257
Board Expenses	13	2,895,119	2,691,721
Maintenance Expenses	14	5,287,705	6,997,910
Depreciation and Amortization expenses	15	2,168,711	4,075,693
Finance Costs	16	116,595	357,902
Total Expenses		70,627,545	73,183,709
Profit/(Loss) Before Taxation		(8,908,184)	(9,566,152)
Income Tax Expense/(Credit)	17	-	-
Profit/(Loss) After Taxation		(8,908,184)	(9,566,152)
Earnings Per Share – Basic and Diluted	18	-	-
Dividend per share	19	-	-
Other Comprehensive Income			
Profit/ (Loss) After Taxation		(8,908,184)	(9,566,152)
Surplus Or Deficit on Revaluation Of PPE		-	-
Remeasurement Of Net Defined Benefit Liability		-	-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI		-	-
Total Comprehensive Income for The Year		(8,908,184)	(9,566,152)

GATANGA WATER AND SANITATION COMPANY LIMITED

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

14. Statement of Financial Position as at 30 June 2024


	Note	2023/ 2024	2022/ 2023
		Ksh.	Ksh.
Assets			
Non-current assets			
Property, plant and equipment	20	31,518,959	29,084,036
Intangible assets	21	2,430,826	3,472,609
Investment property	22		
Right- of -use assets	23	-	
Biological assets	24	-	
Fixed interest investments	25	-	-
Quoted investments	26	-	-
Unquoted investments	27	-	-
Total non-current assets		33,949,784	32,556,645
Current assets			
Inventories	28	308,695	296,701
Trade and Other receivable	29	60,894,747	58,797,939
Tax recoverable	30	-	-
Short-term deposits	31	-	-
Bank and cash balances	32	3,032,830	3,473,306
Total current assets		64,236,272	62,567,946
Total Assets		98,186,056	95,124,591
Equity and Liabilities			
Capital and Reserves			
Capital Reserve	33	16,443,575	16,443,575
Revaluation reserve	34	-	-
General Reserve	35		-
Retained earnings	36	(10,503,229)	(1,595,044)
Capital and Reserves		5,940,346	14,848,531
Non-Current Liabilities			

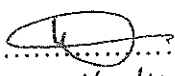
GATANGA WATER AND SANITATION COMPANY LIMITED

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

Deferred tax liability	37	-	-
Borrowings	38	-	-
Lease liability	39	-	-
Provisions	40	-	-
Retirement benefits	41	-	-
Deferred income	44	13,632,433	10,620,164
Total Non-Current Liabilities		13,632,433	10,620,164
Current Liabilities			
Borrowings	38	-	-
Lease liability	39	-	-
Provisions	40	20,953,177	20,603,629
Retirement benefit obligations	41	-	-
Trade and other payables	42	43,929,981	36,626,267
Refundable deposits and prepayments	43	13,730,120	12,426,000
Dividends payable	45	-	-
Taxation	46	-	-
Total Current Liabilities		78,613,278	69,655,896
Total Equity and Liabilities		98,186,057	95,124,591

The financial statements were approved by the Board on 30th September 2024 and signed on its behalf by:


 Name: **JOHN K. KARU**
 M.D


 Name: **K. Kimemia**
 Head of Finance
 ICPAK M/NO: **2333...**

.....
 Name:
 Chairman of the Board

GATANGA WATER AND SANITATION COMPANY LIMITED

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

15. Statement of Changes in Equity for the year ended 30 June 2024

Description	Capital Reserves	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
As at July 1, 2022	16,443,575	-	-	(7,971,106)	-	-	24,414,681
Loss for the year	-	-	-	(9,566,151)	-	-	(9,566,151)
As of June 30, 2023	16,443,575	-	-	(1,595,045)	-	-	14,848,530
		-	-	-	-	-	-
As at July 1, 2023	16,443,575	-	-	(1,595,045)	-	-	14,848,530
Loss for the year	-	-	-	(8,908,184)	-	-	(8,908,184)
At June 30, 2024	16,443,575	-	-	(10,503,229)	-	-	5,940,346

GATANGA WATER AND SANITATION COMPANY LIMITED

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

16. Statement of Cash Flows for the year ended 30 June 2024

	Note	2023/ 2024	2022/ 2023
Cash flows from operating activities		Ksh.	Ksh.
Loss before income tax		(8,908,184)	(9,566,151)
Adjustments for:			
Depreciation of property, plant and equipment	15	2,168,711	4,075,693
Retained earnings & share capital adjustment			
Operating profit/(loss) before working capital changes		(6,739,474)	(5,490,458)
Decrease/(increase) in:			
Inventories	28	(11,994)	(163,496)
Trade and other receivables	29	(2,096,808)	(5,059,011)
Increase/(decrease) in:			
Trade and other payables	42&43	8,607,834	14,340,805
Deferred Income	44	3,012,269	10,620,164
Cash generated from operations		9,511,301	19,738,462
Net cash generated from operating activities		2,771,827	14,248,004
Cash flows from investing activities			
Purchase of property, plant and equipment	20	(3,212,303)	(13,260,874)
Net cash generated used in investing activities		(3,212,303)	(13,260,874)
Cash flows from financing activities			
Borrowings	38(b)	-	-
Repayments of loan			
Net cash generated used in financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		(440,476)	987,130
Cash and cash equivalents at the beginning of the period	32	3,473,306	2,486,176
Cash and cash equivalents at the end of the period		3,032,830	3,473,306

GATANGA WATER AND SANITATION COMPANY LIMITED

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

17. Statement of Comparison of Budget and Actual amounts for the period ended 30 June 2024

Particulars	Original Budget	Adjustment	Budget Full Year	Actual on comparable basis	Performance Difference	% of utilization
	A	b	C=a+b	d	e=c-d	f=d/c %
	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	%
Revenue						
Operating Revenue	63,235,676	-	63,235,676	61,719,361	1,516,315	97.60%
Total Revenue	63,235,676	-	63,235,676	61,719,361	1,516,315	97.60%
Expenses						
Staff Costs	35,260,692	8,500,000	43,760,692	39,408,743	4,351,949	90%
General and Operations Expenses	21,069,427	-	21,069,427	20,750,672	318,755	98%
Board Expenses	2,770,000	-	2,770,000	2,895,119	-125,119	105%
Maintenance Expenses	14,845,828	(9,500,000)	5,345,828	5,287,705	58,123	99%
Finance Costs	300,000	(180,000)	120,000	116,595	3,405	97%
Total Recurrent Expenditure	74,245,947	(1,180,000)	73,065,947	68,458,833	4,607,113	94%
Profit or Loss	(11,010,271)	1,180,000	(9,830,271)	(6,739,472)	(3,090,798)	
Capital Expenditure	2,244,000	1,180,000	3,424,000	3,212,303	211,697	93.82%
Creditors Repayments						
Total Expenditure	76,489,947	-	76,489,947	71,671,136	4,818,810	93.70%

The budget compliance for Gatanga water and sanitation company was met.

GATANGA WATER AND SANITATION COMPANY LIMITED

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

18. Notes to the Financial Statements

1. General Information

Gatanga Water and Sanitation Company Limited is established by and derives its authority and accountability from Company Act of 2015. The Company is wholly owned by the Murang'a County Government and is domiciled in Kenya. The Company's principal activity is to ensure efficient and effective provision of water Services in its area of jurisdiction.

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

2. Statement of Compliance and Basis of Preparation

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

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

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

GATANGA WATER AND SANITATION COMPANY LIMITED

Annual Report 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
IFRS 17 Insurance Contracts (issued in May 2017)	<p>The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.</p> <p><i>The Company does not issue insurance contracts</i></p>	Effective for annual periods beginning on or after 1 st January 2023.
IAS 8- Accounting Policies, Errors, and Estimates	<p>The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.</p> <p><i>(there was no effect as the Gatanga Water and Sanitation Company did not do changes to both accounting policies and estimates .)</i></p>	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	<p>The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.</p>	The amendments are effective for annual periods beginning on or after January 1, 2023.

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Title	Description	Effective Date
	<i>(no changes)</i>	
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

(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.)

GATANGA WATER AND SANITATION COMPANY LIMITED

Annual Report 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
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 Gatanga Water and Sanitation Company to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 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 Gatanga Water and Sanitation Company provides about liabilities arising from loan arrangements for which an Gatanga Water and Sanitation Company's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the Gatanga Water and Sanitation Company complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

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

GATANGA WATER AND SANITATION COMPANY LIMITED

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

iii. Early adoption of standards

The Gatanga Water and Sanitation Company did not early – adopt any new or amended standards in the financial year or *the Gatanga Water and Sanitation Company adopted the following standards early (state the standards, reason for early adoption and impact on Gatanga Water and Sanitation Company's financial statements.)*

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 Gatanga Water and Sanitation Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Gatanga Water and Sanitation Company recognizes revenue when it transfers control of a product or service to a customer.

- i) Revenue from the sale of goods and services** is recognized in the year in which the *Gatanga Water and Sanitation Company* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government** are recognized in the year in which the *Gatanga Water and Sanitation 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.

GATANGA WATER AND SANITATION COMPANY LIMITED

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

- 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.

GATANGA WATER AND SANITATION COMPANY LIMITED

Annual Report 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 *Gatanga Water and Sanitation Company* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *Gatanga Water and Sanitation 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.

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.

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

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line 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, as guided by National Treasury policy on assets depreciation are:

Item	Years	Rates
Freehold Land	nil	0%
Leasehold Land	nil	0%
Buildings and civil works	10	10%
Infrastructure works	20	5%
Plant and machinery and water meters	8	12.5%
Motor vehicles, including motor cycles	4	25%
Computers and peripherals	3	30%
Office equipment, furniture and fittings and Generator	8	12.5%
Work in progress	nil	Nil

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

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

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

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

Summary of Accounting Policies

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.

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

i) Taxation

i) Current income tax

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

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

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

j) Deferred tax

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

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes to the Financial Statements (Continued)
Summary of Accounting Policies

Deferred Tax

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

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

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

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

k) Cash and cash equivalents

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

l) Trade and other payables

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

m) Retirement benefit obligations

The Gatanga Water and Sanitation Company has registered all permanent and pensionable employees into two defined contribution and benefit schemes. The schemes are Local Authority Pension Scheme (LAPTRUST) and National Water Pension Scheme. The company joined the pension 5th October 2010 and 17th February 2006 respectively. The company contributes to these two pension schemes. Under LAPTRUST employer contribute 15% and employee 12% of basic salary and house allowance. Contribution of National Water Pension Scheme is 7.5% by employee and 15% by employer calculated on basic salary only.

n) Provision for staff leave pay

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

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes to the Financial Statements (Continued)

Summary of Accounting Policies

o) Budget information

The original budget for FY 2023-2024 was approved by the Board of Directors on 15/08/2023. 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 Gatanga Water and Sanitation Company upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of Comprehensive income has been presented under section page 1 of these financial statements.

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes to the Financial Statements (Continues)

a) Service concession arrangements

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

b) Comparative figures

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

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

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

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes to the Financial Statements (Continues)

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 24.

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

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

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes to the Financial Statements (Continues)

6. Revenue from contract with customers

	2023/ 2024	2022/ 2023
	Ksh.	Ksh.
Operating income		
Water Sales	60,394,485	55,598,020
Sewerage Services	-	-
Billing for other services	96,120	-
Total	60,490,605	55,598,020

7. Grants from National Government

Grants Income	2023/2024	2022/2023
	Ksh.	Ksh.
Capital grants amortized	349,550	-
GOK salary grants	-	-
UPC 8TH Call Project software/Admin	176,353	770,690
Total	525,903	770,690

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

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes to the Financial Statements (Continued)

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

Name of the Gatanga Water and Sanitation Company sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	2023/2024 Kshs
WSTF	176,353	3,212,303	-	3,388,656
Total	176,353	3,212,303	-	3,388,656

8. Other Income

	2023/ 2024	2022/ 2023
	Ksh.	Ksh.
Other Misc Income	-	7,248,847
Decrease in Provision for Bad debts	702,853	-
Total	702,853	7,248,847

9. Finance Income

	2023/2024	2022/2023
	Ksh.	Ksh.
Interest income	-	-
Total	-	-

10. Other Gains

	2023/2024	2022/2023
	Ksh.	ksh
Other Gains and Losses	-	-

GATANGA WATER AND SANITATION COMPANY LIMITED

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

11. Staff Costs

Description	2023/ 2024	2022/ 2023
Description	Ksh.	Ksh.
Gross Salary and Allowances	35,237,409	20,970,385
Casual workers' Wages	890,350	10,252,318
Medical insurance schemes	-	-
Employer's contributions to social security schemes	1,842,563	1,842,563
Employer's contributions to pension scheme	289,160	289,160
Employer's contributions to housing levy	20,861	-
Provisions for Leave pay	-	-
Gratuity provisions	1,128,400	1,016,800
Fringe Benefit tax	-	-
Staff welfare	-	-
Other allowances	-	-
GOK Salary Grant	-	-
Total	39,408,743	34,371,226
The average number of employees during the year	86	87

12. General and Operations Expenses

Description	2023/ 2024	2022/ 2023
Description	Ksh.	Ksh.
Chemicals	1,146,660	801,259
Electricity	1,633,966	1,808,538
Fuel, oil, lubricants, and gases	5,591,060	6,112,286
Bulk water Costs	-	-
General Office supplies	437,080	2,195,464
Uniform and protective clothing	-	-
Telecommunication	757,837	708,150
Postage and courier	-	-
Insurance	467,307	737,845
Domestic Traveling and subsistence	1,014,410	1,445,701
Staff training and development	-	165,000

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Security services	1,028,100	-
Advertising	307,860	783,507
Publicity and Corporate Communications	985,625	-
Audit fees	290,000	290,000
Legal fees	375,000	-
Consultancy fees	118,842	224,174
Regulatory Levy- WASREB	2,415,779	-
Water Use Charges- WRA Levy	226,125	-
Other Levies e.g Kenya Forest Service	800,000	-
WASCO games	16,650	-
Licences & Permits	41,500	-
Hospitality & Staff welfare expenses	1,471,340	-
Increase in Provision for doubtful debts	-	572,542
Printing service & stationeries	383,026	-
Subscription (Waspa + Professional bodies)	206,000	-
E-Billing Services	617,652	-
Water Quality Activities	42,500	-
Rent and rates	60,000	8,000
Other operating expenses	-	8,836,791
UPC 8TH Call Software expenses	176,353	-
Bonus & Awards	140,000	-
Total	20,750,672	24,689,257

13. Board expenses

Description	2023/ 2024	2022/ 2023
	Ksh.	Ksh.
Chairman Honoraria	25,000	175,000
Sitting allowances	1,909,454	1,886,721
Medical Insurance	-	-
Induction and Training	55,000	630,000
Travel and accommodation	905,665	-
Other allowances	-	-
Total Board Expenses	2,895,119	2,691,721

GATANGA WATER AND SANITATION COMPANY LIMITED

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

14. Maintenance Expenses

	2023/ 2024	2022/ 2023
Description	Ksh.	Ksh.
Plant and Equipment	-	-
Buildings	6,500	-
Infrastructural networks	3,786,165	5,553,830
Motor vehicles/Cycles	693,390	772,575
Soft wares Maintenance	406,000	-
ICT (Information Communication Technology)	105,650	-
Repairs & Maintenance of water pumps	205,000	671,505
Computer Repairs & Accessories	85,000	-
Total Maintenance Expenses	5,287,705	6,997,910

15. Depreciation and Amortization Expenses

	2023/ 2024	2022/ 2023
Description	Ksh.	Ksh.
Property, plant, and equipment	1,819,161	3,546,742
Right of Use Assets		
Intangible assets		
Amortization of UPC 8th Call Kihumbu- ini project	349,550	528,951
Total Depreciation and Amortization	2,168,711	4,075,693

GATANGA WATER AND SANITATION COMPANY LIMITED

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

16. Finance costs

	2023/ 2024	2022/ 2023
Description	Ksh.	Ksh.
Bank Charges	116,595	357,902
Interest expense on loans		
Interest expense on bank overdrafts		
Interest on lease liabilities		
Loan Charges		
Interest charge paid		
Total	116,595	357,902

Notes to the Financial Statements (Continued)

11. Income Tax Expense/(Credit)

(a) Income tax charge/ credit

Description	2023/2024	2022/2023
	Kshs	Kshs
Current taxation based on the adjusted Profit for the year at 30%	-	-
Current tax: Prior Year Under/(Over) provision	-	-
Current year deferred tax charge	-	-
Prior Year Under-provision for deferred tax	-	-
Total	-	-

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

Description	2023/2024	2022/2023
	Ksh.	Ksh.
Profit before taxation	(8,791,589)	(9,566,151)
Tax at the applicable tax rate of 30%	-	-
Prior Year Under-Provision	-	-
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over Depreciation/Amortization	-	-
Deferred tax Prior Year Over-Provision	-	-
Total	(8,791,589)	(9,566,151)

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes to the Financial Statements (Continued)

	Free hold Land	Building and Civil works	Water pipeline	Water Meters	motor Vehicles and cycles	Computers & related equipment	Office Equipmen t and fittings	Capital work in progress	Total
Cost or valuation	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.
At July 1, 2022	780,000	4,204,831	35,202,318	3,250,500	2,232,860	1,846,200	492,586	-	48,009,295
Additions	-	-	-	531,744	-	187,000	-	12,542,130	13,260,874
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
At June 30, 2023	780,000	4,204,831	35,202,318	3,782,244	2,232,860	2,033,200	492,586	12,542,130	61,270,169
Depreciation									
At July 1, 2022		4,120,733	20,702,651	935,013	1,491,075	1,090,960	298,960	-	28,639,391
Charge for the year		84,098	1,760,116	472,781	558,215	609,960	61,573	-	3,546,742
Impairment loss	-	-	-	-	-	-	-	-	-
At June 30, 2023	-	4,204,831	22,462,767	1,407,794	2,049,290	1,700,920	360,533	12,542,130	32,186,133
Net book value at June 30, 2023	780,000	-	12,739,552	2,374,451	183,570	332,280	132,053	12,542,130	29,084,036

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Property, Plant and Equipment (Continued)

FY 2023/2024	Free hold Land	Building and Civil works	Water pipeline	Water Meters	motor Vehicles and cycles	Computers & related equipment	Intangible Asset	Office Equipment and fittings	Capital work in progress	Total
Cost or valuation										
As at 1 July 2023	780,000	4,204,831	35,202,318	3,782,244	2,232,860	2,033,200	5,289,505	492,586	12,542,130	66,559,674
Additions									3,212,303	3,212,303
Transfers										-
Disposals	-		-	-	-	-				-
As at 30 th June 2024	780,000	4,204,831	35,202,318	3,782,244	2,232,860	2,033,200	5,289,505	492,586	15,754,433	69,771,977
Depreciation										
At July 1, 2023	-	4,204,831	22,462,767	1,407,794	2,049,290	1,700,920	1,816,897	360,533		34,003,032
Charge for the year										-
Impairment loss ¹	-	-	318,489	296,806	45,892.5	99,684	1,041,782	16,507		1,819,161
Disposal	-	-								-
As at 30 th June 2024	-	4,204,831	22,781,256	1,704,600	2,095,183	1,800,604	2,858,679	377,040		35,822,193
NBV										
At June 30, 2024	780,000	-	12,421,062	2,077,644	137,678	232,596	2,430,826	115,546	15,754,433	33,949,784
At June 30, 2023	780,000	-	12,739,552	2,374,451	183,570	332,280	-	132,053	12,542,130	29,084,036

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes To The Financial Statements (Continued)

Property, Plant and Equipment at Cost

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

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	780,000	-	780,000
Buildings	4,204,831	4,204,831	0
Water pipeline	35,202,318	22,781,256	12,421,062
Motor Vehicles, Including Motorcycles	2,232,860	2,095,183	137,678
Computers And Related Equipment	2,033,200	1,800,604	232,596
Office Equipment, Furniture, And Fittings	492,586	377,040	115,546
Water meters	3,782,244	1,704,600	2,077,644
Capital work in progress	15,754,433	-	12,542,130
	64,482,472	32,963,514	28,306,656

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

Description	Cost Valuation	Normal Annual Depreciation charge
	Ksh.	Ksh.
Motor Vehicles, Including Motor Cycles	2,232,860	45893
Computers And Related Equipment	2,033,200	99,684
Office Equipment, Furniture And Fittings	492,586	16,507
Water pipeline	35,202,318	318,489
Water meters	3,782,244	296,806
Total	43,743,208	777,379

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes To The Financial Statements (Continued)

12. Intangible Assets

Description	2023/2024	2022/2023
	Kshs	Kshs
Cost		
At July 1	5,289,505	5,289,505
Additions		-
Disposals		-
At June 30	5,289,505	5,289,505
Amortisation		
At July 1	1,816,897	1,287,946
Charge For The Year	1,041,782	528,951
Disposals		-
Impairment Loss		-
At June 30	2,858,679	1,816,897
Net Book Value		
At June 30	2,430,826	3,472,609

[the intangible assets relates to billing software and website]

13. Inventories

	2023-2024	2022-2023
	Ksh.	Ksh.
General stores	-	-
Chemicals & Laboratory items	39865	44381
Pipes, Water fittings and Accessories	210,586	208,400
Water meters	-	-
Uniform and protective clothing	-	-
Fuel, oil and lubricants	-	-
Motor vehicle spare parts	-	-
Goods in transit	-	-
Stationery	58,244	43,920
Finished goods- Water stocks	-	-
Work in progress	-	-
Less; Impairment of stocks	-	-
Total	308,695	296,701

GATANGA WATER AND SANITATION COMPANY LIMITED

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14. Trade and Other Receivables

	2023-2024	2022-2023
Trade receivables (note (29a))	85,309,358	92,337,884
Specific Provision for bad debts	27,536,658	27,536,658
Net receivable before 10% provision for bad debt	57,772,700	64,801,226
Prepayments	716,500	-
Insurance	193,943	-
Muranga South water & Sanitation	186,617	-
Pension(National Water)	78,339	-
Staff pension paid by Company	30,108	-
Tusquee	30,000	-
Staff receivables (note 29 (c))	100,942	100,942
Other receivable	7,462,868	375894
WASREB- Performance Guarantee	100,000	-
Gross trade and other receivables	66,672,017	65,278,062
Provision for bad and doubtful receivable	(5,777,270)	(6,480,123)
Net trade and other receivables	60,894,747	58,797,939

[Provide short appropriate explanations as necessary]

Description	2023/2024	2022/2023
	Kshs	Kshs
ageing analysis of gross Trade Receivables		
Less than 30 Days	5,054,856	5,226,250
Between 30 and 60 Days	3,956,498	4,559,625
Between 61 and 90 Days	1,568,473	-
Between 91 and 120 Days	5,489,447	4,722,030
Over 120 Days	69,240,084	77,829,979
Total	85,309,358	92,337,884

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes to the Financial Statements (Continued)

20(b) Staff Receivables

Description	2023/2024	2022/2023
	Ksh.	Ksh.
Gross staff loans and advances	131,050	100,942
Provision for impairment loss	-	-
Net staff loans	131,050	100,942
Less: Amounts due within one year	131,050	100,942
Amounts due after one year	-	-

15. A Short Term Deposits

Description	2023/2024	2022/2023
	Ksh.	Ksh.
Other Commercial Banks		
Absa Bank	2,779,378	2,660,323
Equity Bank	253,452	803,780
Total	3,032,830	3,464,103

21.B Bank and Cash Balances

Description	2023/2024	2022/2023
	Ksh.	Ksh.
Cash at bank	3,032,830	3,464,103
Cash in hand	-	9,202
Total	3,032,830	3,473,305

The bulk of the cash at bank was held at Absa Bank of Kenya, the Gatanga Water and Sanitation Company's main bankers.

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes To The Financial Statements (Continued)

Detailed analysis of the cash and cash equivalents

Description		2023/2024	2022/2023
Financial institution	Account number	Ksh.	Ksh.
a) Current Account			
Other Commercial banks		1,965,760	3,464,103
Sub- Total			3,464,103
b) On - Call Deposits			
Other Commercial banks		-	-
Sub- Total		-	-
c) Fixed Deposits Account			
Other Commercial banks		-	-
Sub- Total		-	-
d) Staff Car Loan/ Mortgage			
Other Commercial banks		-	-
Sub- Total		-	-
e) Others (Specify)			
Cash in transit		-	-
Cash in hand		-	-
Mobile money account		1,067,070	-
Sub- Total		1,067,070	-
Grand Total		3,032,830	3,464,103

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes To The Financial Statements (Continued)

16. Revaluation Reserve

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

17. Fair Value Adjustment Reserve

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

18. Retained Earnings

The retained earnings represent amounts available for distribution to the *Gatanga Water and Sanitation Company's* shareholders. Undistributed retained earnings are utilised to finance the *Gatanga Water and Sanitation Company's* business activities.

Description	2023/2024	2022/2023
	Ksh.	Ksh.
Retained earnings	(10,386,634)	(1,595,044)
Capital reserve	16,443,575	16,443,575
Total Funds	6,056,941	14,848,531

GATANGA WATER AND SANITATION COMPANY LIMITED

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

19. The deferred income movement is as follows:

Description	National government	International funders	Public contributions and donations	Others (specify)	Total
	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.
Balance Brought Forward	-	-	-	10,620,164	10,620,164
Additions	-	-	-	3,361,819	3,361,819
Transfers To Capital Fund	-	-	-	13,632,433	13,632,433
Transfers To Income Statement	-	-	-	(349,550)	(349,550)
Balance Carried Forward	-	-	-	10,620,164	10,620,164

20. Trade and Other Payables

	2023-2024	2022-2023
	Ksh.	Ksh.
Trade payables	23,475,737	9,962,817
Accrued expenses	-	-
Revenue received in advance	-	-
Retention/ contract monies	-	-
Employee payables	20,454,244	13,656,748
Other payables		13,006,702
Total	43,929,981	36,626,267

The Gatanga Water and Sanitation Company has registered all permanent and pensionable employees into two defined contribution and benefit schemes. The schemes are Local Authority Pension Scheme (LAPTRUST) and National Water Pension Scheme. The company joined the pension 5th October 2010 and 17th February 2006 respectively. The company contributes to these two pension schemes. Under LAPTRUST employer contribute 15% and employee 12% of basic salary and house allowance. Contribution of National Water Pension Scheme is 7.5% by employee and 15% by employer calculated on basic salary only.

The Gatanga Water and Sanitation 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 Gatanga Water and Sanitation Company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently atKshs 1,080 per employer per month.

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes to the Financial Statements (Continued)

21. Provisions

Description	Long service leave	Bonus Provision	Gratuity provisions	Other Provisions	Total
	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.
Balance at the beginning of the year	-	-	-	20,603,629	20,603,629
Additional provisions for KFS way leaves, Audit fee,	-	-	-	349,548	349,548
Provision utilised	-	-	-	-	-
Change due to discount and time value for money	-	-	-	-	-
Less: current portion	-	-	-	-	-
Balance at the end of the year	-	-	-	20,953,177	20,953,177

(NB: The current portion deducted in this note should tie to line on current portion transferred from non-current provisions).

GATANGA WATER AND SANITATION COMPANY LIMITED

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

22. Notes to the Statement of Cash Flows

	Note	2023/ 2024	2022/ 2023
Cash flows from operating activities		Ksh.	Ksh.
Loss before income tax		(8,908,184)	(9,566,151)
Adjustments for:			
Depreciation of property, plant and equipment	15	2,168,711	4,075,693
Retained earnings & share capital adjustment			
Operating profit/(loss) before working capital changes		(6,739,474)	(5,490,458)
Decrease/(increase) in:			
Inventories	28	(11,994)	(163,496)
Trade and other receivables	29	(2,096,808)	(5,059,011)
Increase/(decrease) in:			
Trade and other payables	42&43	8,607,834	14,340,805
Deferred Income	44	3,012,269	10,620,164
Cash generated from operations		9,511,301	19,738,462
Net cash generated from operating activities		2,771,827	14,248,004
Cash flows from investing activities			
Purchase of property, plant and equipment	20	(3,212,303)	(13,260,874)
Net cash generated used in investing activities		(3,212,303)	(13,260,874)
Cash flows from financing activities			
Borrowings	38(b)	-	-
Repayments of loan			
Net cash generated used in financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		(440,476)	987,130
Cash and cash equivalents at the beginning of the period	32	3,473,306	2,486,176
Cash and cash equivalents at the end of the period		3,032,830	3,473,306

GATANGA WATER AND SANITATION COMPANY LIMITED

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

23. Related Party Disclosures

Government of Kenya

County Government of Murang'a

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

Other related parties include:

- The County Department in charge of Water
- County Government of Murang'a
- Water works Agencies
- WASREB
- WARMA
- Water Sector Company Fund
- Key management
- Board of directors

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes to the Financial Statements (Continued)

Transactions with related parties

There was no related party transactions

24. Financial Risk Management

The Gatanga Water and Sanitation 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 Gatanga Water and Sanitation 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 Gatanga Water and Sanitation Company's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes to the Financial Statements (Continued)

Credit Risk (Continued)

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

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

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Gatanga Water and Sanitation Company's directors, who have built an appropriate liquidity risk management framework for the management of the Gatanga Water and Sanitation Company's short, medium and long-term funding and liquidity management requirements. The Gatanga Water and Sanitation 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.

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes To The Financial Statements (Continued)

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Gatanga Water and Sanitation 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 Gatanga Water and Sanitation 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 Finance Department 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 Gatanga Water and Sanitation Company's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The Gatanga Water and Sanitation Company has no transactional currency exposures

Interest rate risk

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

i) Management of interest rate risk

The Company is not exposed to interest rate risk.

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes To The Financial Statements (Continued)

ii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

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

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

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Notes To The Financial Statements (Continued)

iv) Capital Risk Management

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

Description	2023/2024	2022/2023
	Ksh.	Ksh.
Retained earnings	(10,386,634)	(1,595,044)
Capital reserve	16,443,575	16,443,575
Total Funds		14,848,531
Total Borrowings	-	-
Less: Cash and Bank balances	(3,032,830)	(3,473,306)
Net Debt/(Excess Cash and Cash Equivalents)	-	-
Gearing	n/a	n/a

25. Incorporation

(The Gatanga Water and Sanitation Company) is incorporated in Kenya under the Kenyan Companies Act of 2015 and is domiciled in Kenya.

26. Events after the Reporting Period

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

GATANGA WATER AND SANITATION COMPANY LIMITED

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

27. Appendices

Appendix 1: Implementation Status of Auditor-General prior year recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Basis for qualified opinion				
1.1	Material uncertainty in relation to going concern	The company has been operating on non cost recovery tariff but within this financial year WASREB approved and gazetted new tariff which was stopped at county level for more consultation	On going	2025
2.1	Accuracy of financial statements(other income)	The issue was on additions which had not been done but rectified on subsequent submission	resolved	2024
2.2	Customer Deposit	The management has resolved this by refunding the customer deposit through bank stand order of monthly ksh. 100,000 transferred to customer deposit account which we intend to revise to higher amount once new tariff is implemented	In progress	2026
2.3	Property, plant and Equipment	The management is in the process of ensuring the company asset has been	In progress	2025

GATANGA WATER AND SANITATION COMPANY LIMITED

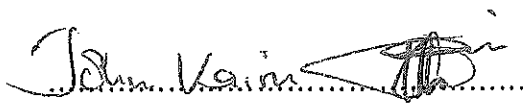
Annual Report and Financial Statements for the year ended 30th June 2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		revalued		
2.4	Long outstanding trade & other receivables	We have provided for specific provision for bad debts and also done debt management policy.	resolved	2024
Basis for conclusion				
1	Non-Revenue Water	The management has put measures to ensures WASREB guideline on Non-revenue water is met through rehabilitation of delapidated pipes	In progress	2025
2.0	Excessive Personnel Expenses	This has been resolved as evidenced in the statement of compliance budget for FY 2023/2024	Resolved	2023
3.0	Staff ethnic diversity	Advertisement is done on national print media. The management in term of ethnic diversity is at 50%	Not resolved	2025
4.0	Un approved budget over-expenditure	The management has resolved this through strict compliance with financial budget as evidenced in this financial year 2023/2024	resolved	2024
5.0	Unauthorised tariff	The management has submitted the proposed tariff for consideration to WASREB which was approved and gazetted now awaiting more engagement	In progress	2025

GATANGA WATER AND SANITATION COMPANY LIMITED

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		with county government after stopping the implementation of new tariff		
Basis for conclusion				
1.0 & 2.0	Lack of Enterprises wide Risk Management(ERM) and internal Audit Function	The company employed Internal Auditor within this financial year and also has an Audit committee to ensure internal control measures are in place and there is a working risk management policy	Resolved	2024
3.0	Lack of Finance and Accounting policy manual	The Company has developed finance and accounting manual as per the section 68(2)e of the Public Finance Management Act	resolved	2024
4.0	Lack of ICT governance structure	The management employed an ICT. personnel	In progress	2024



Name John K Kairu .


GATANGA WATER AND SANITATION COMPANY LIMITED

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

Accounting Officer

Managing Director

Date


30/09/24

GATANGA WATER AND SANITATION COMPANY LIMITED

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

AppendixII: Projects implemented by (The Gatanga Water and Sanitation Company)

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. Augmentation of Ithanga Water Supply Project	AWSB/FIN EXPO/ACH /W/01/2014	AWWDA	2024	N/A	NO	NO
2.Kigoro – Kiunyu - Samuru	AWWDA/ GOK/GWS O/W- 12/2020	AWWDA	2024	N/A	NO	NO
3. Construction of Makiana Intake		NWSHA	2023	N/A	NO	NO
4. Gatanga Water Community Distribution	AWWDA/K TSWSSP/W -11/2019	AWWDA	2023	N/A	NO	NO
5.Kihumbu-ini Water infrastructure project	08W/MUR ANG'A/GA TANGA COMMUNITY/02	WSTF	2024	17,798,209.80	NO	NO

N/A –The projects is being implemented by Athi Water Works Development Agency and National Water Harvest and Storage Authority. The Company does nit have details on donor commitment amount.

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)

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	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Augmentation of Ithanga Water Supply Project	N/A	N/A	80%	N/A	N/A	AWWDA
2	Kigoro – Kiunyu - Samuru	N/A	N/A	90%	N/A	N/A	AWWDA
3	Construction of Makiama Intake	N/A	N/A	95%	N/A	N/A	NWWSA
4.	Gatanga Water Community Distribution	N/A	N/A	100%	N/A	N/A	AWWDA
5.	Kihumbu-ini Water infrastructure project	N/A	N/A	95%	N/A	N/A	WSTF

Note: N/A – The projects is being implemented by Athi Water Works Development Agency and National Water Harvest and Storage Authority. The Company does not have details on the budget and actual.