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GATANGA WATER AND SANITATION PLC

FOR THE YEAR ENDED  
30 JUNE, 2025

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GATANGA WATER  
& SANITATION COMPANY LIMITED

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GATANGA WATER AND SANITATION PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

**Gatanga Water and Sanitation PLC**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**1. Acronyms and Glossary of Terms**

**A. Acronyms**

<b>CEO</b>	<i>Chief Executive Officer</i>
<b>DG</b>	<i>Director General</i>
<b>IAS</b>	<i>International Accounting Standards</i>
<b>IASB</b>	<i>International Accounting Standards Board</i>
<b>IFRS</b>	<i>International Financial Reporting Standards</i>
<b>ICS</b>	<i>Institute of Certified Secretaries</i>
<b>MD</b>	<i>Managing Director</i>
<b>NT</b>	<i>National Treasury</i>
<b>PFMA</b>	<i>Public Finance Management Act.</i>
<b>WASREB</b>	<i>Water Services Regulatory Board</i>
<b>GATAWASCO</b>	<i>Gatanga Water and Sanitation PLC</i>

**B. Definition of Key Terms**

**Fiduciary Management** - Members of Management directly entrusted with the entity's financial resources.

**Comparative Year**- Means the prior period.

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**2. Key Gatanga Water and Sanitation PLC Information**

**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 County Government of Murang'a.

**Principal Activities**

The principal activity of the Company is to ensure efficient and effective provision of water Services to the residents of Gatanga and Ithanga Sub Counties.

**Vision**

To be a model peri-urban and rural water service provider in Kenya.

**Mission**

To provide quality, affordable, and sustainable water services through efficient and effective corporate management.

**Core Values**

Gatanga Water and Sanitation PLC is firmly committed to the following core values:

1. Integrity
2. Teamwork
3. Professionalism
4. Customer Focus
5. Creativity and Innovation

**Directors**

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

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 <sup>th</sup> January 2023 |
| 2. Joseph kiarie Mwaura   | -Member   | -Appointed on 27 <sup>th</sup> January 2023 |
| 3. Mary Muthoni Magochi   | -Member   | -Appointed on 27 <sup>th</sup> January 2023 |
| 4. Joseph Gachuhi Mwangi  | -Member   | -Appointed on 27 <sup>th</sup> January 2023 |
| 5. Edise Wairimu Ndirangu | -Member   | -Appointed on 27 <sup>th</sup> January 2023 |
| 6. Peter Njuguna Kimani   | -Member   | -Appointed on 27 <sup>th</sup> January 2023 |
| 7. Lucy Wanjiru Kamau     | -Member   | -Appointed on 27 <sup>th</sup> January 2023 |

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8. The Late Prof. Joseph Karanja Thiongo -Member -Passed on in December 2024\*\*
9. Tabitha Mwilu Nyiva -Member -Appointed on 27<sup>th</sup> January 2023
10. John K. Kairu -Managing Director -Appointed on July 2021

**Company Secretary**

Carolyn Cecilia Wanjiku Njoroge

P.O BOX 56793-00200

City Square

**Registered Office**

Gatanga Water and Sanitation PLC

P.O. Box 6133-01000, Thika

Mabanda Do's Office compound

Thika-Gatanga road

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**Corporate Headquarters**

Gatanga Water and Sanitation Company Limited  
P.O. Box 6133-01000, Thika  
Mabanda Do's Office compound  
Thika-Gatanga road

**Corporate Contacts**

Telephone: (254) 0708688778, 0708686360  
E-mail: [gatawa@yahoo.com](mailto:gatawa@yahoo.com)  
Website: [www.gatangawater.co.ke](http://www.gatangawater.co.ke)

**Corporate Bankers**

Barclays Bank of Kenya-Thika branch  
P.O. Box 219-01000,  
Thika

**Independent Auditor**

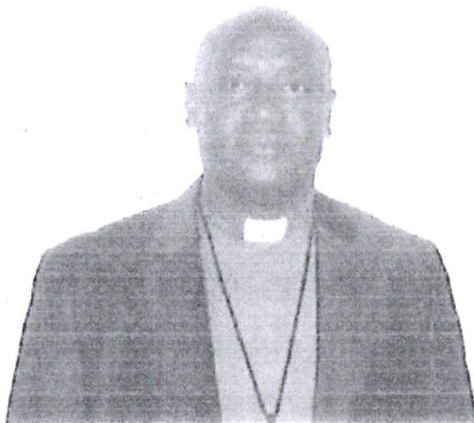

Auditor General  
The Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084GPO 00100  
Nairobi, Kenya

**Principal Legal Adviser**




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

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**3. The Board of Directors**

Directors	Details
 <p><b>Board Chairman</b>            Rev / PhD Julius Wanyoike</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>
 <p><b>BoD Member_CECM Finance</b>            Joseph Kurie Mwaura</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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 <p><b>BoD Member_CECM Water</b>          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><b>BoD Member</b>          Joseph Gachuhi Mwangi</p>	<p>He holds a B.A Hons (Sociology &amp; Economics)</p> <p>Chairperson in the Audit Committee</p>
 <p><b>BoD Member</b>          Edise Wairimu Ndirangu</p>	<p>A board member in various schools</p> <p>She holds a Masters in Theology</p> <p>She is accredited counsellor</p> <p>Member in the Finance, Human Resource and Administration Committee</p>

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 <p><b>BoD Member</b> 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><b>BoD Member</b> Lucy Wangiro Kamau</p>	<p>She holds a Bachelor of Education</p> <p>Member in the Audit Committee</p>

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**BoD Member**

Prof. Joseph Karanja Thiongo

Chairman Ngere Tea Factory Limited

Has a PhD in Corrosion Science and Engineering

Chairman in the Technical Committee

*Passed on in December 2024.*



**BoD Member**

Tabitha Mwalo Nyiva

She holds a Bachelor of Arts in Education

Member in the Technical Committee



**Managing Director**



John Kiame Kato

He is the Managing Director of Gatanga Water and Sanitation PLC

Has over 10 years' experience in water sector

He holds a BSC in Water & Environmental Engineering

4. Key Management Team

Managers	Details
 <p><b>Managing Director</b> John Krahe Kara</p>	<p>He is the Managing Director and the Secretary to the Board. He is responsible for the overall functions in the company and link between the Board, stakeholders and corporate management. He holds a BSC in Water &amp; Environmental Engineering and a member in the Engineers Board of Kenya.</p>
	<p>Company Secretary</p>
 <p><b>Lawrence Kimotho Kimani</b></p>	<p><b>Technical Manager</b></p> <p>He is responsible for production, provision and management of water and distribution systems in the Company. He is a holder of BSC. Soil, Water and Environmental Engineering and a member in the Engineers Board of Kenya.</p>

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CPA Loice Kanini Ndungu

Commercial Manager

She is responsible for commercial services, financial reporting and budget reporting and control at the company.

She is a registered member in ICPAK, and holds Bachelor's degree in commerce.



Carol Otiato

Human Resources and Administration Officer

The officer is responsible for the company Human resource functions and also in charge of administration function. She holds a Diploma in Human Resource.



CPA Swiftjoe Rilho Mathenge

Internal Auditor

He is responsible for Risk management, ensuring effectiveness of internal control systems in the company and monitoring of compliance to laws and regulations.

He is registered with ICPAK and holds Bachelor of Commerce.

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**5. Chairman's Statement**

The financial year 2024/2025 has come to close and it gives me pleasure to release our annual report and financial statement for the year ended 30<sup>th</sup> June 2025. 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 67,268,758 from Ksh. 62,893,297 registering growth of 7%.

**Projects and Achievements;**

- The company has undertaken the Augmentation of Ithanga Water supply project – The project is being implemented by Athi Water Works Development Agency worth Ksh. 3.5B. The project has been phased into three phases. Phase I and II were implemented in the last financial year, Phase III a 198km of assorted sizes from diameter 160mm, 110, 90mm, 63mm, 50mm and 25mm is ongoing and implemented by the contractor at 100% and the Company at 80% to completion respectively.
- Kigoro Kiunyu Samuru Pipeline – The project is complete and fully operational and serving Thika Greens, Bahati Ridge among other high consumers and is expanding to other estates such as Githingiri. Additionally, the project led to activating the 500 No. 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.

Further, the Company is also Implementing Kigoro Bulk NCT phase II, a project intended to ensure consistent supply of water in Kirwara, Chomo, Gakurari, Kiria-ini, Gathanji and Mureke sub locations areas that have been in a prolonged water rationing. 2No offtakes Outside Diameter 200mm, 20Km pipeline infrastructure project were provided at Kagongo and Kiria-ini. The project is being implemented by AWWDA which is at 98% to completion.

- Finally, the Company is also implementing projects under Government of Kenya financing Locally-Led Climate Action (FLLoCA) pipeline infrastructure project through Murang'a County Government that will ensure last mile connectivity and rehabilitation of dilapidated pipeline to residence in all six wards in Gatanga and Ithanga sub counties

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.

The tariff adjustment was approved in October 2024 and a new tariff has been implemented in July 2025.

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On behalf of the Board of Directors, 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 (NWIISA), Water Sector Trust 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 the previous year. I look forward with confidence to your continued co-operation in the future. God bless you all.

Sign: .....



Date: .....

06/10/2025

Rev/Phd. Julius N. Wanyoike (Chair)

## Gatanga Water and Sanitation PLC

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### 6. Report of the Managing Director

Gatanga Water and Sanitation Company total area of our Company is 528km<sup>2</sup> 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 30<sup>th</sup> June 2025. 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

Operational growth:

Item	2024/25	2023/24	Change in growth	Growth in Percentage
Active Connections	11,045	10,801	244	2%
Inactive Connections	4,819	3,155	1,664	53%
Total registered connections	15,864	13,956	1,908	14%
Billed Revenue	77,040,193	61,193,458	15,846,735	26%
Revenue Collection	67,268,758	62,893,297	4,375,461	7%

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.

- 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 implemented the new tariff which will improve the financial position of the company in year future.

#### Challenges

- Delay in payments of their water bills hence affecting the normal running of our operations.

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- 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.

**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. We cannot forget the consumers of our services and suppliers who supported us throughout the year.

Sign: .....

Date: 06/10/2025

John Kairu (Managing Director)

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**7. Statement of Performance Against Predetermined Objectives for FY 2024/25**

GATAWASCO's strategic plan has five primary strategic pillars:

- Infrastructure development
- Non-revenue water
- Customer service
- Funding
- Organisational capacity

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 and Corporate
- Social Responsibility.

The company achieved its performance targets set for the FY 2024/2025 period for its five strategic pillars, as indicated in the diagram below:

S/No.	Pillar	Objective	Strategy	Achievement
1.	Infrastructure development	To increase water supply from 6,800 m <sup>3</sup> to 28,000 m <sup>3</sup> .	Sourcing water from Northern Collector Tunnel project(10,000 m <sup>3</sup> /day)	Construction of Kigoro-Samuru water project sourcing from Northern collector tunnel is complete and operational.
			Sensitize customers on water harvesting and storage	Public barazas have been held during the year.
2.	Non-revenue	To reduce	Metering of all	During the year, 1,343

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	water	Non-Revenue Water from 45% to 25%	connections	No. of accounts were installed with meters resulting to a metering ratio of 94%.
			Community/customers involvement in reporting of leaks/bursts/illegal connections & usage	Sensitation Barazas have been held in the year.
3.	Customer service	To enhance customer satisfaction	customer feedback mechanism enhanced.	Utilization of the Customer Resolution Module for all staff and use of SMS for communication to customers is being done consistently.
4.	Funding	To increase collection efficiency	Enhance billing and revenue collection	During the year, the revenue collection efficiency was 87%
			Enhance debt collection processes	A team was formed to ensure consistent revenue collection and performance targets issued.
		To secure external funding for infrastructure development	Enhance collaborations with National and County government, water sector institutions and development partners	During the year, the company submitted a funding proposal to Water Fund under the K-Wash Program. The proposal is in the process of being finalised by the Water

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				Fund.
5.	Organisational capacity	To increase operational effectiveness and efficiency	<ul style="list-style-type: none"> <li>• Create seamless business processes</li> <li>• Leverage on ICT</li> </ul>	<p>New connection process was reviewed during the year.</p> <p>The use of maps during revenue collection was introduced in the year to ensure efficiency on revenue collection.</p>
		To increase employee satisfaction from	Implement Performance Management System (PMS)	During the year, Performance appraisal has been done and reward of best performers implemented.

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### 8. Corporate Governance Statement

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

In line with the corporate governance guideline requirements, during the financial year 2024-25 the board held seven meetings and board attendance was as follows;

DIRECTOR NAME	NO SCHEDULED OF BOARD MEETING	MEETING ATTENDED
Julius Njuguna Wanyoike	7	3
Joseph Gachuhi Mwangi	7	7
Lucy Wanjiru Kamau	7	7
Joseph Kiarie Mwaura	7	4
Peter Njuguna Kimani	7	7
Edise Wairimu Ndirangu	7	5
Tabitha Nyiva Mwilu	7	6
Mary Muthoni Magochi	7	0

Good governance is embedded in the tenets of corporate governance.

This has been adhered to by senior management of GATAWASCO by governing the Gatanga Water and Sanitation PLC integrity in a manner which entrenches and enhances the objectives agreed under the license and service provision agreement.

The good governance has ensured;

-The stability and credibility of the company financially

-Improved the relationship between the GATAWASCO and the stakeholders -It has also ensured efficiency in the provision of services to the customers.

The Board of Directors has been adhering to the Memorandum of Articles and Association.

The Board of Directors as per the WASREB guidelines has ensured that they have signed the code of conduct of ethics, schedule of full board meeting at the end of every year, approve an annual budget. This therefore means that the board of Directors make the strategic policies to be

## Gatanga Water and Sanitation PLC

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implemented by the senior managers for the smooth running of the company. The board of Directors comprises of 9 members. The Directors are from different professions as per the WASREB guidelines.

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 that includes 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.

#### 9. Management Discussion and Analysis

The company has over the years experienced an increase in gross revenue. There is a noted increase in cost during the period pushed mainly by changing market dynamics. The company has in the period applied for tariff review in a bid to cushion itself from the economic changes whereby by the close of the financial year the old tariff was still in use.

##### Operational and Financial Performance

The table below shows the changes in revenue and expenditure over a three year period.

NOTE	2022/2023 FY	2023/2024 FY	2024/2025 FY
Operating Income	55,598,020	60,490,605	74,025,483
Grants	770,690	525,903	-
Other Incomes	7,248,847	702,853	3,014,710
<b>Total Revenue</b>	<b>63,617,557</b>	<b>61,719,361</b>	<b>77,040,193</b>

<b>Operating Expenditure</b>	<b>73,183,709</b>	<b>70,627,545</b>	<b>79,638,994</b>
<b>Surplus (deficit)</b>	<b>(9,566,152)</b>	<b>(8,908,184)</b>	<b>(2,598,801)</b>

• **Customer Growth**

The company operates Gatanga and Ithanga sub counties offering water and sanitation services in the area. The demand for the resources at the company has been growing consistently over the period as indicated due to the increase in customer base. The company is in the category of large Water Service Providers based on WASREB guidelines on the number of customer connections as per the table below.

<b>DETAILS</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
Total number of registered water connections	12,743	13,956	15,864
Total number of active connections	10,053	10,801	11,045
Total number of inactive connections	2,690	3,155	4,819
Total active metered connections	9,027	9,906	10,349
Total active un-metered connections/flat rate	1,026	895	696

**Operational Risks.**

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

**Market Risks.**

The Company 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 company 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. **66,983,855.**

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**Liquidity risks**

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

## **10. 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 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 Fund and National Water Harvesting and Storage Authority. During the year the proposal to Water Fund under the K-Wash program was approved and is in the verification stage.

### **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.

### **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.

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

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**iv) Market place practices-**

The company 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.

**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:

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

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

GATAWSCO shall be responsible to its corporate citizens and taking into considerations to interest of all stakeholders and the community in which we operate.

**Gatanga Water and Sanitation PLC**

**Annual Report and Financial Statements for the year ended June 30, 2025**

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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

**1. Report of the Directors**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025 which show the state of the company's affairs.

**i) Principal activities**

The principal activities of the Company are to ensure availability of sustainable, affordable and quality water services to the residents of Gatanga and Ithanga Sub-counties by sourcing, treating, distributing and water conservation while billing and collecting revenue from the water consumers.

**ii) Results**

The results of the company for the year ended June 30, 2025 are set out on page 1.

Below is summary of the profit or loss made during the year.

<b>INCOME</b>	<b>2024/2025</b>	<b>2023/2024</b>
Total Income	77,040,193	61,719,361
Total Expenses	79,638,994	70,627,545
Profit/(Loss) Before Taxation	(2,598,801)	(8,908,184)
Income Tax Expense/(Credit)	-	-
<b>Profit(Loss) After Taxation</b>	<b>(2,598,801)</b>	<b>(8,908,184)</b>

**iii) Dividends**

The company does not give divided to the Directors.

**iv) Directors**

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

## 12. Statement of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, water act 2016 and companies Act 2015) -- *Company should quote applicable legislation as indicated under which they are regulated*).

**Gatanga Water and Sanitation PLC**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**v) Auditors**

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended June 30, 2025.

By Order of the Board

.....  
Name *John Kariuki*  
Company Secretary/Secretary to the Board  
Date:

**Gatanga Water and Sanitation PLC**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**Statement of Directors' Responsibilities (Continued)**

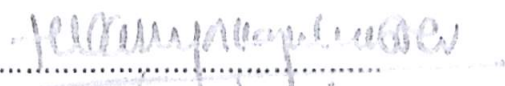
The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2025, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern.

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

**Approval of the financial statements**

The company financial statements were approved by the Board on 06/10/2025 2025 and signed on its behalf by:

  
.....  
Name  
Chairperson of the Board

  
.....  
Name  
Managing Director

# REPUBLIC OF KENYA



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**HEADQUARTERS**  
Anniversary Towers  
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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON GATANGA WATER AND SANITATION PLC FOR THE YEAR ENDED 30 JUNE, 2025**

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### **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 PLC set out on pages 1 to 69, which comprise of the statement of financial position as at

30 June, 2025 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Gatanga Water and Sanitation PLC as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standard (IFRS) and comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Inaccuracies in the Presentation, Disclosures and Balances in the Financial Statements**

- i. The financial statement on the paragraph in respect of content of the board of directors and key management team omits company secretary details which includes; passport-size photo, name and Indication of whether the secretary is a member of ICS (Institute of Certified Secretaries) contrary to the financial reporting requirement as prescribed by Public Sector Accounting Standard Board.
- ii. The financial statement at Note 37 in respect of the statement of cash flow reflects Kshs.(14,280,750) and Kshs.9,711,335 for cash generated from operating activities for the current year (2024/2025) and prior year (2023/2024) respectively. However, the statement of cash flow reflects net cash flow from operating activities of Kshs.(254,241) and Kshs.2,771,827 for the current year (2024/2025) and prior year (2023/2024) respectively.
- iii. The statement of comparison of budget and actual amount reflects Kshs.2,600,000 as adjustment of budgeted receipts however, budget carryovers from the previous year relating to opening balance of cash and cash equivalents has not been disclosed in the statement.
- iv. The statement of comparison of budget and actual amounts was not supported by budget reconciliation between the actual amount of surplus (deficit) reflected in the statement of budget and actual amount and closing balance of Kshs.2,289,743 for cash and cash equivalent.

In the circumstances, the accuracy and completeness of account balances and disclosures in the financial statement could not be confirmed.

## **2. Unsupported Trade and Other Receivables**

The statement of financial position and as disclosed in Note 23 to the financial statements reflects gross trade and other receivables balance of Kshs.66,983,855. The Note includes provision of bad and doubtful debts of Kshs.6,698,386 and net trade and other receivables of Kshs.60,312,470. However, the provisions were not supported by approved policy for the provision for bad and doubtful debts. Further, the balance includes debts amounting to Kshs.48,490,141 which have been outstanding for over one hundred and twenty days (120) days. In addition, the Company had not established a Debt Management Policy and no effort appears to have been made to recover the long outstanding account receivables.

In the circumstances, the accuracy, completeness and recoverability of trade and other receivables balance of Kshs.66,983,855 could not be confirmed.

## **3. Unsupported Bank and Cash Balances**

The statement of financial position and as disclosed in Note 27 to the financial statements reflects bank and cash balance of Kshs.2,289,743. The balance includes Kshs.558,314 in respect of mobile money account. However, documentary evidence in form of Mpesa statements were not provided for audit verification. In addition, the balance includes cash at hand of Kshs.19,944. However, documentary evidence inform of board of survey certificate were not provided for audit verification.

In the circumstances, the accuracy and completeness of bank and cash balances balance of Kshs.2,289,743 could not be confirmed.

## **4. Lack of Valuation of Assets**

The statement of financial position reflects net book value of Kshs.28,711,043 in respect of property, plant and equipment as disclosed in Note 19 to the financial statement. Further, the Note includes fully depreciated assets in use which include buildings and motor vehicles including motor cycles which have not been valued and the Company is deriving economic benefits from the usage.

In the circumstances, the accuracy and completeness of property, plant and equipment balances of Kshs.28,711,043 could not be confirmed.

## **5. Long Outstanding Trade and Other Payables**

The statement of financial position and as disclosed in Note 34 to the financial statements reflects Kshs.37,269,507 in respect to trade and other payables. Audit review of the payables revealed that trade payables amounting to Kshs.4,615,483 had been outstanding for more than three (3) years. Further retirement obligations including pension and gratuity amounting to Kshs.930,000 for pension and Kshs.2,737,151 for gratuity has been outstanding for more than two (2) years.

Failure of the Company to pay debts as and when they fall due may be an indication of the Company's inability to settle financial obligation. In addition, the Company may incur penalties and litigation for unpaid retirement benefits.

In the circumstances, the ability of the Company to settle debts is doubtful and the validity, accuracy and completeness of trade and other payables could not be confirmed.

## **6. Unsupported Refundable Deposits and Prepayments**

The statement of financial position reflects Kshs.16,463.771 in respect of refundable deposits and prepayments as disclosed in Note 35 to the financial statements. The balance includes Kshs.15,656,021 in respect to customer deposit. However, the deposit account statement reflects Kshs.649,446 resulting to unsupported and unaccounted refundable deposit balance of Kshs.15,006,575.

In the circumstances, the validity, accuracy and completeness of refundable deposits and prepayments balance of Kshs.16,463.771 could not be confirmed.

## **7. Unsupported Deferred Income**

The statement of financial position and as disclosed in Note 36 to the financial statements reflect deferred income of Kshs.13,707,535 which was not supported by analysis and documentary evidence.

In the circumstances, the accuracy and completeness of deferred income balance of Kshs.13,707,535 could not be confirmed.

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

## **Material Uncertainty Related to Going Concern**

The statement of profit or loss and other comprehensive income reflects a loss of Kshs.2,598,801 and a prior year loss of Kshs.8,908,184. Further, the current liabilities of Kshs.88,393,990 exceed the current assets of Kshs.71,315,563 resulting to a negative working capital of Kshs.17,078,427. The negative liquidity position is an indication of the existence of a material uncertainty on the Company's ability to continue as a going concern which management has not disclosed.

In the circumstances, the Company may not be able to meet its current obligations as and when they fall due and may depend on the support from the County Government and creditors.

My Opinion is not modified in respect of this matter.

### **Key Audit Matters**

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

### **Other Matter**

### **Unresolved Prior Year Audit Matters**

In the prior year's audit report, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Company in 2024/2025 revealed that the following matters remained unresolved.

<b>No</b>	<b>Financial Year</b>	<b>Audit Issue</b>
1	2023/2024	Unsupported Deferred Income
2	2023/2024	Unaccounted for Refundable Deposits and Prepayments
3	2023/2024	Undisclosed Bank Accounts
4	2023/2024	Going Concern of the Entity
5	2023/2024	Non-Revenue Water
6	2023/2024	Excessive Expenditure on Staff Costs
7	2023/2024	Non-Compliance with Law on Ethnic Composition

### **Other Information**

The Management are responsible for the Other Information set out on page iii to xxix which comprise of Key Entity Information and Management, Board of Directors profiles, Key Management Team profiles, 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 Director's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Non-Revenue Water Above Threshold.**

Available information provided for audit indicate that the Company during the year under review produced one million nine hundred eighty-four thousand, nine hundred and fifty-two (1,984,952) cubic meters of water. Out of which one million two hundred ninety-nine thousand two hundred eighty-nine (1,299,289) cubic meters representing sixty-five (65) percent were billed for Kshs.74,025,483 leaving a balance of six hundred eighty-five thousand six hundred sixty-three (685,663) cubic meters representing thirty-five (35) percent as non-revenue water valued at Kshs.39,064,853. The Unaccounted Water percentage of 35% is 10% above the allowable loss of 25% by the Water Service Regulatory Board (WASREB) guidelines.

Further, no meters were installed at the inlet and outlet point of the water reservoir as a result the estimated sales of 1,299,289 cubic meters could not be confirmed.

The high level of Non-Revenue Water may have contributed negatively on the Company's profitability and ability to sustain the services.

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

#### **2. Unmetered and Dormant Customers.**

Review of Company records revealed that the Company had a total of fifteen thousand eight hundred sixty-four (15,864) clients out of which nine thousand four hundred and thirty (9,430) were metered, one thousand six-hundred and ninety-nine (1,699) did not have meters and four thousand eight hundred seven (4,807) were dormant. It was also noted that all the clients who were unmetered they were issued with estimated meter readings, as a result the figure of operating revenue cannot be confirmed. In addition, the

Company is in breach of part 14.3 (a) of WASREB License on the conditions of the license.

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

### **3. Noncompliance of the National Cohesion and Integration Act on Ethnicity**

Review of the personnel records maintained by the Company revealed that the Company has eighty- six (86) staff members out of which seventy- seven (77) or 91% of the staff members are from the dominant ethnic community. This is contrary to section 7(2) of the National Cohesion and Integration Act, 2008.

Further, the Company did not allocate 5% of employment opportunities to persons with disability contrary to Section 21 of Persons with Disability Act, 2025.

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

### **4. Non- Compliance with The Data Protection Act**

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflect of Kshs.39,240,443 in respect to staff costs which further includes Kshs.1,655,849 as employer's contribution to pension scheme remitted to County Pension Fund and Local Authority Pension Trust. However, Management did not provide a written contract for data processing with the two pension funds as required by section 42 of the Data Protection Act, 2019.

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

### **5. Non-Compliance with Fiscal Responsibilities Principles**

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects Kshs.39,240,443 in respect to staff costs. The staff costs constituted fifty-one percent (51%) of the total revenue of Kshs.77,040,193 of the Company for the year under review. This is contrary to Section 3.9 (9) of WASREB corporate Governance Guidelines that provides that the staff costs should not exceed 35% of the total revenue as per the Company's size.

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

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

# REPORT ON 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 effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

### **Ineffective Management of Assets**

#### **i. Lack of updated Fixed Assets Register**

The Company failed to maintain an updated fixed assets register. The fixed assets register provided for audit review revealed that critical information such as acquisition cost, tag number, date of acquisition, condition of assets, serial numbers, depreciation charged and net book values as at the end of period were missing while some of the assets were not recorded in the assets register.

#### **ii. Untagged Assets**

According to the fixed assets register and physical verification of the assets revealed that the Company had assets that were not tagged to show they belonged to the Company.

#### **iii. Failure to Dispose of Unserviceable Assets**

Audit review of the assets register and physical verification revealed that some assets including two motorcycles and an internet mast were non-operational and were unserviceable. However, Management did not provide the annual disposal plan for the asset for audit review.

In the circumstances, the effectiveness on the asset management system in place could not be confirmed.

## **Basis for Conclusion**

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### **Conclusion**

As required by Company Act, 2015, I report based on my audit that 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 matters described in the Basis for Qualified Opinion, I confirm that:

- i. Information given in the directors' report on pages xxvi to xxvii is consistent with the financial statements; and
- ii. The auditable part of the directors' remuneration report on page 28 has been properly prepared in accordance with the Companies Act, 2015.

### **Basis for Conclusion**

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

### **Responsibilities of the Management and Board of Directors**

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

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

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

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

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

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

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

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

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**28 November, 2025**

**Gatanga Water and Sanitation PLC**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**1. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2025.**

	Note	2024/2025	2023/2024
		Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	6	77,040,193	60,490,605
Grants Income	7	-	525,903
Other Income	8	-	702,853
Finance income	9	-	-
Other gains/(losses)	10	-	-
<b>Total Revenue</b>		<b>77,040,193</b>	<b>61,719,361</b>
<b>Expenses</b>			
Staff Costs	11	39,240,443	39,408,743
General and Operations expenses	12	26,680,038	20,750,672
Board Expenses	13	2,250,969	2,895,119
Maintenance Expenses	14	6,087,133	5,287,705
Depreciation and Amortization expenses	15	5,380,410	2,168,711
Finance Costs	16	-	-
<b>Total Expenses</b>		<b>79,638,994</b>	<b>70,627,545</b>
<b>Profit/(Loss) Before Taxation</b>		<b>(2,598,801)</b>	<b>(8,908,184)</b>
<b>Income Tax Expense/(Credit)</b>		<b>-</b>	<b>-</b>
<b>Profit/(Loss) After Taxation</b>		<b>(2,598,801)</b>	<b>(8,908,184)</b>
Earnings Per Share – Basic and Diluted		-	-
Dividend per share		-	-
<b>Other Comprehensive Income</b>			
<b>Profit/ (Loss) After Taxation</b>		<b>(2,598,801)</b>	<b>(8,908,184)</b>
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 (Fair Value Through Other Comprehensive Income)			-
<b>Total Comprehensive Income for The Year</b>		<b>(2,598,801)</b>	<b>(8,908,184)</b>

**Gatanga Water and Sanitation PLC**

**Annual Report and Financial Statements for the year ended June 30, 2025**

**15. Statement of Financial Position as at 30 June 2025**

	Note	2024/2025 FY	2023/2024
		Kshs	Kshs
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	19	28,463,901	31,518,959
Intangible assets	20	669,421	2,430,826
Investment property			-
Right- of -use assets			-
Biological assets			-
Fixed interest investments			-
Quoted investments			-
Unquoted investments			-
<b>Total non-current assets</b>		<b>29,133,322</b>	<b>33,949,785</b>
<b>Current assets</b>			
Inventories	21	8,713,350	308,695
Trade and receivable	23	60,285,470	60,894,747
Tax recoverable			-
Short-term deposits			-
Prepayments	26	27,000	-
Bank and cash balances	27	2,289,743	3,032,830
<b>Total non-current assets</b>		<b>71,315,563</b>	<b>64,236,272</b>
<b>Total Assets</b>		<b>100,448,884</b>	<b>98,186,057</b>
<b>Equity and liabilities</b>			
<b>Capital and Reserves</b>			
Capital Reserves	34	16,443,575	16,443,575
Revaluation reserve	35		-
Capital Grant		8,713,350	
Fair value adjustment reserve	36		-
Retained earnings	37	(13,102,030)	(10,503,229)
<b>Capital and Reserves</b>		<b>12,054,895</b>	<b>5,940,346</b>
<b>Non-current liabilities</b>			
Deferred tax liability	38		-
Borrowings	39		-
Lease liability	40		-
Provisions	41		-
Retirement benefits	42		-

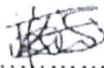
**Gatanga Water and Sanitation PLC**  
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	Notes	2024/2025 FY Kshs	2023/2024 Kshs
<b>Total non-current liabilities</b>			-
<b>Current liabilities</b>			
Borrowings			-
Lease liability			-
Provisions	41	20,953,177	20,953,177
Retirement benefit obligations			-
Trade and other payables	34	37,269,507	43,929,981
Refundable deposits and Prepayments	35	16,463,771	13,730,120
Deferred income	36	13,707,535	13,632,433
Taxation			-
<b>Total current Liabilities</b>		<b>88,393,990</b>	<b>92,245,711</b>
<b>Total Equity and Liabilities</b>		<b>100,448,884</b>	<b>98,186,057</b>

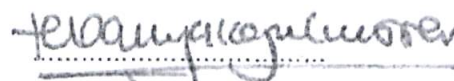
The financial statements were approved by the Board on 06/10/ 2025 and signed on its behalf by:



**Name: John K, Kairu**  
**Managing Director**



**Name: CPA Loice K. Ndungu**  
**Head of Finance**  
**ICPAK M/No:15438**



**Name:**  
**Chairman of the Board**

Gatanga Water and Sanitation PLC

Annual Report and Financial Statements for the year ended June 30, 2025

16. Statement Of Changes in Equity for the Year Ended 30 June 2025

	Notes	Capital Reserve	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
As at July 1, 2023		16,443,575	-	-	(1,395,045)	-	-	14,848,530
New capital issued		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(8,908,184)	-	-	(8,908,184)
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
As at June 30, 2024		16,443,575	-	-	(10,503,229)	-	-	5,940,346
As at July 1, 2024		16,443,575	-	-	(10,503,229)	-	-	5,940,346
Issue of new share capital		-	-	-	-	-	-	-

	Notes	Capital Reserve	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(2,598,801)	-	-	(2,598,801)
Capital/Development grants received during the year		-	-	-	-	-	8,713,350	8,713,350
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
<b>At June 30, 2025</b>		<b>16,443,575</b>	<b>0</b>	<b>0</b>	<b>(13,102,030)</b>	<b>0</b>	<b>8,713,350</b>	<b>12,054,895</b>

**Gatanga Water and Sanitation PLC**  
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**17. Statement of Cash Flows for The Year Ended 30 June 2025**

		2025	2024
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Operating Receipts		67,268,758	61,483,055
Grants Income		-	-
Deferred Income		-	3,212,303
Other Income		-	-
Customer Deposits		1,935,901	1,019,000
<b>Total Receipts</b>		<b>69,204,659</b>	<b>65,714,358</b>
<b>Payments</b>			
Staff Costs		(37,163,900)	(34,350,804)
General And Operation Expenses		(23,986,425)	(21,471,051)
Board Expenses		(1,127,200)	(2,010,750)
Maintenance Expenses		(7,102,953)	(4,993,331)
Finance Costs		(68,422)	(116,595)
Refund Of Customer Deposits		(10,000)	-
<b>Total Payments</b>		<b>(69,458,900)</b>	<b>(62,942,531)</b>
<b>Net Cash From/ (Used In) Operating Activities</b>	37	<b>(254,241)</b>	<b>2,771,827</b>
<b>Cash Flows from Investing Activities</b>			
Purchase Of Property, Plant And Equipment (PPE)		(488,846)	(3,212,303)
Proceeds From Disposal Of PPE		-	-
Purchase Of Intangible Assets		-	-
Purchase Of Investment Property		-	-
Purchase Of Quoted Investments		-	-
Proceeds From Disposal of Quoted Investments		-	-
<b>Net Cash From/ (Used In) Investing Activities</b>		<b>(488,846)</b>	<b>(3,212,303)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds From Issues of New Share Capital		-	-
Proceeds From Borrowings		-	-
Repayment Of Borrowings		-	-
Dividends Paid		-	-
<b>Net Cash From/(Used In) Financing Activities</b>		<b>-</b>	<b>-</b>
<b>Increase/(Decrease) In Cash and Cash Equivalents</b>		<b>(743,087)</b>	<b>(440,476)</b>
<b>Cash And Cash Equivalents At Beginning of Year</b>		<b>3,032,830</b>	<b>3,473,306</b>
Effects Of Foreign Exchanges Rate Fluctuations		0	-

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	Note	2024/2025	2023/2024
		Kshs	Kshs
Cash And Cash Equivalents At End of the Year		2,289,743	3,032,830

Gatanga Water and Sanitation PLC  
Annual Report and Financial Statements for the year ended June 30, 2025

18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=a+b	d	e= c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year*	-	-	-	-	-	-
<b>Receipts</b>						
Operating Revenue	74,475,983	-	72,475,983			
Other Revenue	630,000	-600,000	30,000			
Grants	-	-	-	-	-	-
Finance Income	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
<b>Total Receipts</b>	<b>75,105,983</b>	<b>2,600,000</b>	<b>72,505,983</b>	<b>67,268,758</b>	<b>5,237,225</b>	<b>93%</b>
<b>Payments</b>						
Staff Costs	37,203,300	450,669	37,653,969	39,240,443	-1,586,474	104%
Board Expenses	2,848,600	-650,000	2,198,600	2,250,969	-52,369	102%
General and operations Expenses	32,775,413	-	26,213,413	25,690,501	522,912	98%
Maintenance	3,960,000	2,248,000	6,208,000	6,087,133	120,867	98%
Finance costs	315,000	-247,000	68,000	68,422	-422	101%
<b>Total Recurrent Expenditure</b>	<b>77,102,314</b>	<b>4,760,331</b>	<b>72,341,983</b>	<b>73,337,469</b>	<b>-995,486</b>	<b>101%</b>
<b>Total Payments</b>	<b>79,346,314</b>	<b>5,641,000</b>	<b>72,505,983</b>	<b>73,505,815</b>	<b>-999,832</b>	<b>101%</b>
<b>Capital Expenditure Payments</b>	<b>2,244,000</b>	<b>-</b>	<b>164,000</b>	<b>168,346</b>	<b>-4,346</b>	<b>103%</b>

**19. Notes to the Financial Statements**

**1. General Information**

Gatanga Water and Sanitation PLC is established in Kenya under the Companies Act, 2015 and derives its authority and accountability from Water Act 2016. The Company is wholly owned by the Murang'a County Government. The Company's principal activity is to ensure efficient and effective provision of water Services to the residents of Gatanga and Ithanga Sub-Counties. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

**2. Statement of Compliance and Basis of Preparation**

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

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

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

**Gatanga Water and Sanitation PLC**

**Annual Report and Financial Statements for the year ended June 30, 2025**

**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 2025.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: <ul style="list-style-type: none"> <li>i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date.</li> <li>ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and</li> <li>iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.</li> </ul>	1 January 2026

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

*ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.*

**Gatanga Water and Sanitation PLC**  
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Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

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

**iii. Early adoption of standards**

*(The entity) did not early – adopt any new or amended standards in year under review.*

## Gatanga Water and Sanitation PLC

### Annual Report and Financial Statements for the year ended June 30, 2025

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#### Notes to the financial statements (continued)

#### 4. Summary of Accounting Policies

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

##### a) Revenue recognition

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

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

Notes to the financial statements (continued)

Summary of Accounting Policies

**b) In-kind contributions**

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

**c) Property, plant and equipment**

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

**d) Depreciation and impairment of property, plant and equipment**

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

Depreciation on property, plant and equipment is recognized in the income statement on a 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 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	8	12.5%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	33.3%

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Office equipment, furniture and fittings	8	12.5%
Intangible Assets	5	33.3%

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

**e) Intangible assets**

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

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

**f) Amortization and impairment of intangible assets**

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

**g) Investment property**

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

## **Summary of Accounting Policies**

### **h) Right of Use Asset**

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

### **i) Biological Assets**

The entity recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the entity, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

**j) Fixed interest investments (bonds)**

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

**k) Quoted investments**

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

**Gatanga Water and Sanitation PLC**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**Summary of Accounting Policies**

**l) Unquoted investments**

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

**m) 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/ FIFO (*Whichever is applicable*). Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**n) Trade and other receivables**

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

**o) Taxation**

**i) Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the profit or loss statement. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**p) Deferred tax**

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

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

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

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

**q) Borrowing costs**

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

**r) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period.

**Restricted cash**

Restricted cash refers to cash and cash equivalent balances that have usage constraints. An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the entity.

**s) Borrowings**

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

**Gatanga Water and Sanitation PLC**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**t) Trade and other payables**

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

**u) Retirement benefit obligations**

Gatanga Water and Sanitation PLC has registered all permanent and pensionable employees into two defined contribution and benefit schemes. The schemes are County Pension Fund (CPF) and Local Authority Pension Scheme (LAPTRUST). The company joined the pension 5th October 2010 and 17th February 2003 respectively. The company contributes to these two pension schemes. Under CPF 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.

**v) Provision for staff leave pay**

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

**w) Exchange rate differences**

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

**x) Budget information**

The original budget for FY 2024-2025 was approved by the Board of Directors on . Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of (9,440,331) on the 204-2025 budget following the governing body's approval. The Company's budget is prepared on a different basis to

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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 profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section xxx of these financial statements.

**y) Service concession arrangements**

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

**z) Comparative figures**

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

**aa) 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, 2025.

## **5. Significant Judgments and Sources of Estimation Uncertainty**

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

### **a) Estimates and assumptions**

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

### **b) Useful lives and residual values**

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

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

### **c) Provisions**

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

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

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Notes to the financial statements (continues)

**6. Operating Revenue**

	2024/2025	2023/2024
	Kshs	Kshs
Water sales	68,744,833	55,980,835
Meter standing charges(Meter Rent)	5,280,650	4,413,650
Connection fees	2,723,500	-
Reconnection fees	216,000	-
Sewerage Services	-	-
Surcharges	75,200	96,120
<b>Total</b>	<b>77,040,183</b>	<b>60,490,605</b>

**7. Grants Income**

	2024/2025	2023/2024
	Kshs	Kshs
Capital grants amortized	-	349,550
UPC 8 <sup>th</sup> Call project software Admin.	-	176,353
<b>Total</b>	<b>-</b>	<b>525,903</b>

*(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).*

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

	Amount recognized in	Amount provided under	Amount recognised in capital	Total grant income during the year	2024/2025
	the year	the year	fund		Kshs
	Kshs	Kshs	Kshs	Kshs	Kshs
County Government	-	-	7,360,000	7,360,000	-
Athi Water Works Development Agency	-	-	1,175,000	1,175,000	-
<b>WSTF</b>			178,350	178,350	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>8,713,350</b>	<b>8,713,350</b>	<b>-</b>

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The grant relates to 1,600 No. meters @ Ksh 4,600, 500 No. meters @ 2,350 and 87 No. meters @2,050 received.

**Notes to the financial statements (continued)**

**1. Other Income**

	2024/2025	2023/2024
	Kshs	Kshs
Sale of Tender	-	-
Decrease in provision for doubtful debts		702,853
<b>Total</b>	-	<b>702,853</b>

**2. Finance Income**

	2024/2025	2023/2024
Description	Kshs	Kshs
Interest income from treasury bonds	-	-
Interest income from treasury bills	-	-
Interest from receivables	-	-
Interest from commercial banks and financial institutions	-	-
Interest on staff loans	-	-
Dividends	-	-
<b>Total</b>	-	-

*[Provide short appropriate explanations as necessary]*

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**10. Other Gains and Losses**

	2024/2025	2023/2024
Description	Kshs	Kshs
Foreign exchange gains / (losses)	-	-
Loss/gain on disposal on sale of investments	-	-
Gain on sale of fixed assets	-	-
Fair value gain/loss on biological Assets	-	-
Fair value gain or losses on revaluation of investment property	-	-
Revaluation losses on inventory	-	-
Unrealized foreign exchange gains/(losses)	-	-
<b>Total</b>	-	-

**11. Staff Costs**

Description	2024/2025	2023/2024
	Kshs	Kshs
Gross Salary and Allowances	33,772,181	35,237,409
Casual workers' Wages	-	890,350
Medical insurance schemes	411,780	-
Employer's contributions to social security schemes	1,690,264	1,842,563
Employer's contributions to pension scheme	1,655,849	289,160
Provisions for Leave pay	-	-
Gratuity provisions	1,140,800	1,128,400
Fringe Benefit tax	-	-
Staff welfare	-	-
Other allowances-Housing Levy	569,569	20,861
<b>Total</b>	<b>39,240,443</b>	<b>39,408,743</b>
<b>The average number of employees during the year</b>	<b>86</b>	<b>86</b>

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**12. General and Operations Expenses**

Description	2024/2025	2023/2024
	Kshs	Kshs
Chemicals	2,856,936	1,146,660
Electricity	1,873,389	1,633,966
Fuel, oil, lubricants, and gases	5,324,735	5,591,060
Bulk water Costs		-
Office supplies	1,301,954	437,080
Uniform and protective clothing	48,350	-
Telecommunication	1,194,208	757,837
Postage and courier	9,500	-
Water and sewerage	-	-
Insurance	283,789	467,307
Rent and Rates	24,000	60,000
Hire of Equipment and vehicles	-	xxx
Claims and compensation	-	xxx
Domestic Traveling and subsistence	1,419,605	1,014,410
Foreign travel and accommodation	-	-
Staff training and development	524,075	-
Bank Charges	68,422	116,595
Security services	2,130,714	1,028,100
Agency commissions	-	-
Publicity and advertising	263,661	1,293,485
Audit fees	290,000	290,000
Legal fees	946,800	375,000
Consultancy fees	316,500	118,842
Licensing and levies	3,329,009	3,483,404
Sports and recreation	866,750	16,650
Stakeholders' expenses	-	-
Donations/CSR	-	-
Hospitality expenses	568,419	1,471,340
Printing and stationery	440,007	383,036
Membership and subscription	493,600	206,000
E-Billing services	750,000	617,652
Bonus and Awards	341,000	140,000
Provision for doubtful debts	921,116	-
UPC 8 <sup>th</sup> Call software expenses		176,353
Water quality testing	93,500	42,500
<b>Total</b>	<b>26,680,038</b>	<b>20,750,672</b>

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Notes to the financial statements (continued)

**13. Board Expenses**

Description	2024/2025	2023/2024
	KShs	KShs
Chairman Honoraria	307,692	25,000
Sitting allowances	923,077	1,909,454
Medical Insurance	-	-
Induction and Training	1,020,200	55,000
Travel and accommodation	-	905,665
Other allowances	-	-
<b>Total Board Expenses</b>	<b>2,250,969</b>	<b>2,895,119</b>

**14. Maintenance Expenses**

Description	2024/2025	2023/2024
	Kshs	Kshs
Plant and Equipment		-
Buildings	160,390	6,500
Infrastructural networks	3,526,074	3,786,165
Grounds		xxx
Motor vehicles/cycles	1,360,269	693,390
Software		406,000
ICT (Information Communication Technology)		105,650
Furniture		xxx
Water Pumps maintenance	950,600	205,000
Computer Repairs & Accessories	89,800	85,000
<b>Total Maintenance Expenses</b>	<b>6,087,133</b>	<b>5,287,705</b>

### 15. Depreciation and Amortization Expenses

	2024/2025	2023/2024
	KShs	KShs
Property, plant, and equipment	3,619,005	1,819,161
Right of Use Assets	-	-
Intangible assets	1,761,405	-
Investment property carried at cost	-	-
Amortization of UPC 8 <sup>TH</sup> Call Kihumbuini Project	-	349,550
<b>Total Depreciation and Amortization</b>	<b>5,380,410</b>	<b>2,168,711</b>

### 16. Finance costs

	2024/2025	2023/2024
	KShs	KShs
Bank charges	-	-
Interest expense on loans	-	-
Interest expense on bank overdrafts	-	-
Interest on lease liabilities	-	-
Others (specify)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

*[Provide short appropriate explanations as necessary]*

### 17. Income Tax Expense/(Credit)

#### Current taxation

	2024/2025	2023/2024
	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	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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

	2024/2025	2023/2024
	KSh	KSh
Profit before taxation	(2,598,801)	(8,791,589)
Tax at the applicable tax rate of 30%	-	-
Current tax	-	-
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	-	-
<b>Total</b>	<b>(2,598,801)</b>	<b>(8,791,589)</b>

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18. Property, Plant and Equipment

Description	Freehold land	Buildings & civil works	Water Infrastructure	Water Meters	Motor vehicles, including motorcycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
Depreciation rate	0%	10%	5%	12.50%	25%	33%	12.50%	5%	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As At 1 July 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
Additions	-	-	-	-	-	-	-	3,212,303	3,212,303
Disposals	-	-	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
As at 30th June 2024	780,000	4,204,831	35,202,318	3,782,244	2,232,860	2,033,200	492,586	15,754,433	64,482,472
Additions	-	-	-	-	-	488,846.00	-	-	488,846
Disposals	-	-	-	-	-	-	-	-	-
Transfer/Adjustments	-	-	15,829,535	-	-	-	-	-15,754,433	75,102
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
As at 30th June 2025	780,000	4,204,831	51,031,853	3,782,244	2,232,860	2,522,046	492,586	0	65,046,420
Depreciation And Impairment									
At 1 July 2023	-	4,204,831	22,462,767	1,407,794	2,049,290	1,700,920	360,533	-	32,186,135
Depreciation	-	-	318,489	296,806	45,893	99,684	16,507	-	777,379

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Impairment		-	-	-	-	-	-	-	-
Transfers/ Adjustments		-	-	-	-	-	-	-	-
As At 30th June 2024		4,204,831	22,781,256	1,704,600	2,095,183	1,800,604	377,040	-	32,963,514
Depreciation charge for the year	-	-	2,551,593	472,781	137,677	395,382	61,573		3,619,005
Disposals	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-	-	-	-	-
As at 30th June 2025	0	4,204,831	25,332,849	2,177,381	2,232,860	2,195,986	438,613	0	36,582,519
As at 30th June 2024-NBV	780,000	0	12,421,062	2,077,644	137,677	232,596	115,546	15,754,433	31,518,955
As at 30th June 2025	780,000	0	25,699,004	1,604,864	0	326,060	53,973	0	28,463,901

19 (b) Property, Plant and Equipment at Cost

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	780,000	0	780,000
Buildings	4,204,831	4,204,831	0
Water infrastructure	51,031,853	25,332,849	25,699,004

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Water meters	3,782,244	2,177,381	1,604,864
Motor vehicles, including motorcycles	2,232,860	2,232,860	0
Computers and related equipment	2,522,046	2,195,986	326,060
Office equipment, furniture, and fittings	492,586	438,613	53,973
	65,046,420	36,582,519	28,463,901

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

	Cost or valuation	Normal annual depreciation charge
Buildings	4,204,831	420,483
Motor vehicles, including motorcycles	2,232,860	558,215
Total	6,437,691	978,698

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**20. Intangible Assets**

	2024/2025	2023/2024
	Kshs	Kshs
<b>Cost</b>		
<b>At July 1</b>	5,289,505	5,289,505
Additions		-
Disposals	-	-
<b>At June 30</b>	5,289,505	5,289,505
<b>Amortization</b>		
<b>At July 1</b>	2,858,679	1,816,897
Charge for the year	1,761,405	1,041,782
Disposals	-	-
Impairment loss	-	-
<b>At June 30</b>	4,620,084	2,858,679
<b>Net book value</b>		
<b>At June 30</b>	669,421	2,430,826

*[Intangible assets relate to billing system software]*

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**21. Inventories**

	2024/2025	2023/2024
	Kshs	Kshs
General stores	-	-
Chemicals & Laboratory items	-	39,865
Water fittings and Accessories	-	210,586
Water meters	8,713,350	-
Uniform and protective clothing	-	-
Fuel, oil and lubricants	-	-
Motor vehicle spare parts	-	-
Goods in transit	-	-
Stationery and general stores	-	58,244
Finished goods	-	-
Others specify	-	-
Work in progress	-	-
Less: Impairment of stocks	-	-
<b>Total</b>	<b>8,713,350</b>	<b>308,695</b>

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**22. a) Inventory movement details**

Description	2024/2025	2023/2024
	KShs	KShs
At the beginning of the year	308,695	
Additions	12,267,840	-
Issuance	3,863,185	-
Written off during the year	-	-
Others specify	-	-
At the end of the year	8,713,350	308,695

**23. Trade and Other Receivables**

	2024/2025	2023/2024
	KShs	KShs
Trade receivables (note (23a))	66,983,855	66,672,017
Deposits and prepayments	-	-
VAT (Value Added Tax) recoverable	-	-
Staff receivables (note 23 (c))	-	-
Other receivables	-	-
<b>Gross trade and other receivables</b>	<b>66,983,855</b>	<b>66,672,017</b>
Provision for bad and doubtful receivable	(6,698,386)	(5,777,270)
<b>Net trade and other receivables</b>	<b>60,285,470</b>	<b>60,894,747</b>
<b>Analysed as:</b>		
<b>Short- Term Trade and Other Receivables</b>		
<b>Long- Term Trade and Other Receivables</b>		

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**23. (a) Trade Receivables**

	2024/2025	2023/2024
	Kshs	Kshs
Gross trade receivables	66,983,855	66,672,017
Provision for doubtful receivables	(6,698,386)	5,777,270
Net trade receivables	60,285,470	60,894,747
<b>As at June 30, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	7,119,484	5,054,856
Between 30 and 60 days	4,190,506	3,956,498
Between 61 and 90 days	2,394,575	1,568,473
Between 91 and 120 days	4,789,150	5,489,447
Over 120 days	48,490,141	50,602,743
<b>Total</b>	<b>66,983,855</b>	<b>66,672,017</b>

**23. (b) Reconciliation of Impairment Allowance for Trade Receivables**

Description	2024/2025	2023/2024
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

**23. (c) Staff Receivables**

	2024/2025	2023/2024
	Kshs	Kshs
Gross staff loans and advances	-	131,050
Provision for impairment loss	-	-
Net staff loans	-	131,050
Less: Amounts due within one year	-	131,050
Amounts due after one year	-	-

**23. (d) Reconciliation of Impairment Allowance for Staff Receivables**

Description	2024/2025	2023/2024
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-

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Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

**24. Tax Recoverable**

	2024/2025	2023/2024
	Kshs	Kshs
At beginning of the year	-	-
Income tax charge for the year (note 17)	-	-
Under/(over) provision in prior year/s (note 17)	-	-
Income tax paid during the year	-	-
At end of the year	-	-

**25. Short Term Deposits**

	2024/2025	2023/2024
	Kshs	Kshs
Commercial banks		
Cooperative Bank of Kenya	-	-
Kenya Commercial Bank	-	-
Barclays Bank of Kenya	-	-
Others (specify)	-	-
	-	-

**26. Prepayments**

Description	2024/2025	2023/2024
	Kshs	Kshs
Insurance	-	-
Rent	-	-
Water	-	-
Internet	-	-
Communication(Safaricom)	27,000	-
Total	27,000	-

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**27. Bank and Cash Balances**

	2024/2025	2023/2024
	Kshs	Kshs
Cash at bank	1,711,485	3,032,830
Cash in hand	19,944	-
Mobile money account	558,314	
	<b>2,289,743</b>	<b>3,032,830</b>

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Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2024/2025	2023/2024
		KShs	KShs
<b>a) Current account</b>			
Commercial banks		1,711,485	1,965,760
Others		-	-
<b>Sub- total</b>		-	-
<b>b) On – call deposits</b>		1,711,485	1,965,760
Commercial banks		-	-
Others		-	-
<b>Sub- total</b>		-	-
<b>c) Fixed deposits account</b>			
Other Commercial banks		-	-
Others		-	-
<b>Sub- total</b>		-	-
<b>Sub- total</b>		-	-
<b>d) Others(specify)</b>		-	-
Cash in transit		-	-
Cash in hand		19,944	-
Mobile money account		558,314	1,067,070
<b>Sub- total</b>		578,258	1,067,070
<b>Grand total</b>		2,289,743	3,032,830

### **28. 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.

### **29. 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.

### **30. Retained Earnings**

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

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**31. Deferred Tax Liability**

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

	2024/2025	2023/2024
	Kshs	Kshs
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	-	-
Provisions for liabilities and charges	-	-
Net deferred tax liability	-	-

The movement on the deferred tax account is as follows:

	2024/2025	2023/2024
	Kshs	Kshs
Balance at beginning of the year	-	-
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	-	-

**32. Provisions**

**33. Retirement Benefit Obligations**

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	Insert Current FY	Insert Comparative FY
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
Total	-	-	-	-	-

**Retirement benefit Asset/ Liability**

Gatanga Water and Sanitation PLC has registered all permanent and pensionable employees into two defined contribution and benefit schemes. The schemes are County Pension Fund and Local Authority Pension Scheme (LAPTRUST). The company joined the pension 5th October 2010 and 17th February 2006 respectively. The company contributes to these two pension schemes. Under CPF 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.

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GATAWASCO also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Company's obligation under the scheme is limited to specific contributions legislated from time to time.

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**Notes to the financial statements (continued)**

**34. Trade and Other Payables**

	2024/2025	2023/2024
	Kshs	Kshs
Trade payables	9,469,121	23,475,737
Accrued expenses		-
Employee payables	18,120,628	20,454,244
Other payables	9,679,758	0
<b>Total</b>	<b>37,269,507</b>	<b>43,929,981</b>

**Aging Analysis for Trade and other Payables**

	2024/2025	% of the total	2023/2024	% of the total
Under one year	12,117,584	33%	11,861,095	27%
1-2 years	8,728,002	23%	9,225,296	21%
2-3 years	10,120,001	27%	10,103,896	23%
Over 3 years	6,303,921	17%	12,739,694	29%
<b>Total</b>	<b>37,269,507</b>		<b>43,929,981</b>	

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**35. Refundable Deposits and Prepayments**

	2024/2025	2023/2024
	Kshs	Kshs
Customer deposits	15,656,021	13,730,120
Prepayments by customers	807,750	-
Retention/Contract deposits	-	-
Others (Specify)	-	-
<b>Total</b>	<b>16,463,771</b>	<b>13,730,120</b>

**Aging Analysis for Refundable Deposits and Prepayments**

	2024/2025	% of the total	2023/2024	% of the total
Under one year	1,369,970	8%	1,098,410	%
1-2 years	2,720,634	17%	2,334,120	%
2-3 years	1,342,586	8%	1,098,410	%
Over 3 years	11,030,582	67%	9,199,180	%
<b>Total</b>	<b>16,463,771</b>		<b>13,730,120</b>	

**36. Deferred Income**

	2024/2025	2023/2024
	Kshs	Kshs
National/County government-UPC Project	13,707,535	13,632,433
International Funders	-	-
Public contributions and donations	-	-
<b>Total deferred income</b>	<b>13,707,535</b>	<b>13,632,433</b>

The Equity bank balance of Ksh 253,452 was expensed as Ksh 75,102 being administration costs to the project and Ksh 178,350 for purchase of meters.

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The deferred income movement is as follows:

	National Government	County Government	Public contributions and donations	Total
Balance brought forward	13,632,433	-	-	13,632,433
Additions	75,102	-	-	-
Transfers to Capital fund	-	-	-	-
Transfers to income statement	-	-	-	-
Other transfers	-	-	-	-
Balance carried forward	13,707,535	-	-	13,632,433

The Equity bank balance of Ksh 253,452 was expensed as Ksh 75,102 being administration costs to the project and Ksh 178,350 for purchase of meters.

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**37. Notes to The Statement of Cash Flows**

	2024/2025	2023/2024
	Kshs	Kshs
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations</b>		
Profit or loss before tax	(2,598,801)	(8,908,184)
Depreciation	3,619,005	2,168,710
Amortization	1,761,405	-
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	2,781,609	(6,739,474)
Working capital changes:		
(Increase)/decrease in inventories	(8,404,655)	(11,994)
(Increase)/decrease in trade and other receivables	609,277	(2,096,808)
Increase/(decrease) in trade and other payables	(6,660,474)	8,607,834
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	75,102	-
Deferred income		3,212,303
<b>Cash generated from/ (used in) operation</b>	<b>(14,380,750)</b>	<b>9,711,335</b>
<b>(b) Analysis of changes in loans</b>		
<b>Balance at beginning of the year</b>	-	-
Receipts during the year	-	-
Repayments during the year	-	-
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
<b>Balance at end of the year</b>	-	-
<b>(c) Analysis of cash and cash equivalents</b>		
Short term deposits	-	-
Cash at bank	1,711,485	3,032,830
Cash in hand	19,944	0
Mobile money account	558,314	0
	<b>2,289,743</b>	<b>3,032,830</b>
Balance at end of the year	-	-
<b>(d) Analysis of interest paid</b>		

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	2024/2025	2023/2024
	Kshs	Kshs
Interest on loans	-	-
Interest on bank overdraft	-	-
Interest on lease liabilities	-	-
Interest on loans capitalised	-	-
Balance at beginning of the year	-	-
Balance at end of the year (note 35(b))	-	-
Interest paid	-	-
<b>(e) Analysis of dividend paid</b>		
Balance at beginning of the year	-	-
20xx dividends paid	-	-
20xx dividends paid	-	-
20xx interim dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-

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**Notes to the financial statements (continued)**

**Other Disclosures**

**38. Related Party Disclosures**

**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. The County of Government of Murang'a has provided full guarantees to all long-term lenders of the Company, both domestic and external.

Other related parties include:

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

**Transactions with related parties**

	2024/2025	2023/2024
	Kshs	Kshs
<b>a) Sales to related parties</b>		
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	-	-
Interest income from Govt Commercial Banks	-	-
Interest income from T-bills and Bonds	-	-
Others (Specify)	-	-
<b>Total</b>	-	-
<b>b) Purchases from related parties</b>		
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Bank charges paid to Govt Commercial banks	-	-
Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-

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	2024/2025	2023/2024
	Kshs	Kshs
<b>Total</b>	-	-
<b>b) Grants from the Government</b>		
Grants from National Govt Agencies	-	-
Grants from County Government	-	-
Donations in kind	-	-
<b>Total</b>	-	-
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
<b>Total</b>	-	-
<b>d) Key management compensation</b>		
Directors' emoluments	-	-
Compensation to key management	-	-
<b>Total</b>	-	-

**39. Financial Risk Management**

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

**Notes to the financial statements (continued)**

**(i) Credit risk**

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

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

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**Credit Risk (Continued)**

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

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

**ii) Liquidity risk management**

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

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

	Under one year Kshs	Between 1-3 years Kshs	Over 3 years Kshs	Total Kshs
<b>At 30 June 2025</b>				
Trade payables	12,117,584	18,848,003	6,303,921	37,269,507
Current portion of borrowings	-	-	-	0
Deposit and prepayments	1,369,970	4,063,220	11,030,582	16,463,771
Provisions	-	20,953,177	-	20,953,177
Deferred income	-	13,707,535	-	13,707,535
Employee benefit obligation	-	-	-	0
<b>Total</b>	<b>13,487,554</b>	<b>57,571,935</b>	<b>17,334,503</b>	<b>88,393,990</b>
<b>At 30 June 2024</b>				
Trade payables	11,861,095	19,329,192	12,739,694	43,929,981
Deposit and prepayments	1,098,410	3,432,530	9,199,180	13,730,120
Current portion of borrowings	-	-	-	0
Provisions	-	20,953,177	-	20,953,177
Deferred income	-	13,632,433	-	13,632,433

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Employee benefit obligation	-	-	-	0
<b>Total</b>	<b>12,959,505</b>	<b>57,347,332</b>	<b>21,938,874</b>	<b>92,245,711</b>

**(iii) Market risk (*Tailor as appropriate*)**

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

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

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

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

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Employee benefit obligation	-	-	-	0
<b>Total</b>	<b>11,861,095</b>	<b>53,914,802</b>	<b>12,739,694</b>	<b>78,515,591</b>

**(iii) Market risk (*Tailor as appropriate*)**

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

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

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

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

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**a) Interest rate risk**

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

**i) Management of interest rate risk**

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

**ii) Sensitivity analysis**

The Company analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs (2025: KShs ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs (2024 – KShs )

**iii) Fair value of financial assets and liabilities**

**a) Financial instruments measured at fair value**

Determination of fair value and fair values hierarchy

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

- i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.**
- ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).**

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- iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

At 30 June 2025	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
<b>Financial Assets</b>				
Quoted equity investments	-	-	-	-
<b>Non- financial Assets</b>				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-
<b>At 30 June 2024</b>				
<b>Financial Assets</b>				
Quoted equity investments	-	-	-	-
<b>Non- financial Assets</b>				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-

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

***Financial instruments not measured at fair value***

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

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**Notes to the financial statements (continued)**

**iv) Capital Risk Management**

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

	2024/2025	2023/2024
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	(13,102,030)	(10,503,229)
Capital reserve	16,443,575	16,443,575
Capital Fund-Grant received	8,713,350	
<b>Total funds</b>	<b>12,054,895</b>	<b>5,940,346</b>
Total borrowings	-	-
Less: cash and bank balances	(2,289,743)	(3,032,830)
Net debt/ (excess cash and cash equivalents)	9,765,152	2,907,516
<b>Gearing</b>	<b>81%</b>	<b>49%</b>

**40. Incorporation**

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

**41. Provisions**

	Water Services Provision	Other Provisions	EPF - Employees' Subscription	KFS - Way Leave	Other Provisions	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Balance at the beginning of the year	18,007,644	2,280,000	30,000	91,200	544,333	20,973,177
Additional Provisions	-	-	-	-	-	
Provision utilised	-	-	-	-	-	
Change due to discount and time value for money	-	-	-	-	-	
Balance at the end of the year	<b>18,007,644</b>	<b>2,280,000</b>	<b>30,000</b>	<b>91,200</b>	<b>544,333</b>	<b>20,953,177</b>

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**Provisions details**

Description	2024/2025	2023/2024
	Kshs	Kshs
Current Portion of Provisions	-	349,548
Long-term portion of Provisions	20,953,177	20,603,629
<b>Total</b>	<b>20,973,177</b>	<b>20,953,177</b>

The provisions relate to prior years.

**42. Events After the Reporting Period**

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

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43. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1. Inaccuracies In 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.33,471,968.05 resulting to an unexplained variance of Kshs.1,765,440.95. In the circumstances, the accuracy of the gross salary expenditure of Kshs.35,237,409 could	A schedule of gross salary expenditure of Kshs 35,237,409 that includes salaries and allowances was supported.	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2. Unsupported Deferred Income	<p>not be confirmed.”</p> <p>The statement of financial position 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.</p> <p>In the circumstances, the accuracy and completeness of Deferred Income balance of Kshs.13,632,433 could not be confirmed.</p>	<p>All supporting documents for deferred income showing nature of income, when it was earned and work plan for activities carried out has been provided</p>	Resolved	
3. Unaccounted for Refundable Deposit and Prepayments	<p>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 un-reconciled variance of Kshs.12,476,066.</p> <p>Further, the amount has not been supported by</p>	<p>A schedule showing opening balance, additions, paid and closing balance are supported</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>movement schedules showing opening balance, additions during the year, paid during the year and the closing balance as at 30 June, 2024.</p> <p>In the circumstances, the accuracy and completeness of Refundable Deposits and Prepayment balance of Kshs.13,730,120 could not be confirmed.</p>			
4.1 Lack of Cashbooks and Bank Reconciliations	<p>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.</p> <p>In the circumstances, the accuracy and completeness of cash and bank balance of Kshs.3,032,830 could</p>	<p>All bank reconciliations and cashbooks have been provided. The supporting documents to confirm the cash and bank balances of Kshs 3,032,830 as at 30th June 2024 were also supported.</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	not be confirmed."			
4.2 Undisclosed Bank Accounts	<p>During the year of review, it was confirmed that the company operated four bank accounts, whose details were not disclosed in the financial statements. Further, the management explained that one bank account with balance of Kshs.253,452 has since been closed. The authority from 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.</p> <p>In the circumstances, the accuracy and completeness of cash and bank balance of Kshs.3,032,830 could not be confirmed.</p>	<p>Bank certificate balance of Ksh 253,452 from Equity is provided.</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
5. Unsupported Inventories	<p>The statement of financial position and as disclosed Note 28 to the financial statements reflects a balance of Inventories Kshs.308,695 which is not supported by ledger schedules or stores ledger.</p> <p>In the circumstances, the accuracy and completeness of inventories Kshs.308,695 could not be confirmed.</p>	All support documents for inventories of Ksh 308,695 have been provided.	Resolved	
6. Unsupported Short term Deposits	<p>The financial statements 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 in schedules.</p> <p>In the circumstances, the accuracy and</p>	The management has noted the error and will rectify the financial statements	<p>The cash and cash equivalents are the ones that had been captured as short term deposits.</p> <p>There are no short term deposits held</p>	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	completeness of short-term deposit Kshs.3,032,830 could not be confirmed."		for the company and as such this has been rectified in the current financial year report.	
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	The Company operated a non-cost recovery tariff over the year under review that was expired, reflecting negatively on financial viability of the company. However, in the current financial year the company has acquired a new updated and cost reflective water tariff which has been approved and gazetted in the Kenya Gazette issue No. Vol.CXXVI-No.66 Gazette Number 5971 (Copy attached in	The new tariff was degazetted in May 2025 and a revised one gazetted that has been implemented starting July 2025. The company is committing to improve on the going concern issue in the coming years.	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	creditors.	Annex 4.1.2) Use of a cost recovery tariff will cure the threat of the company not being a going concern.		
1. Unbalanced Budget	<p>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 inform of committee minutes to show the approvals of the budget.</p> <p>In the circumstance, the accuracy and completeness of statement of comparison of budget and actual could not be determined.</p>	<p>A copy of the approved budget was attached. The budget foresaw support on capital expenditure from the County Government of Murang'a as reflected on its annual plan.</p>	Resolved	
2. Non- Revenue Water	During the year under review, the company produced 2,025,632	Management continues to make progress in Non-	On going.	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>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.</p>	<p>Revenue Water Management, witnessing a steady drop from previous period where it was reported as 44%. With implementation of the new tariff, the company would have the required resources to ensure major strides in further reduction of the NRW.</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3. Excessive Expenditure on Staff Costs	<p>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."</p>	<p>The Company operated a non-cost recovery tariff over the year under review that was expired, reflecting negatively on financial viability of the company. However, in the current financial year the company has acquired a new updated and cost reflective water tariff which has been approved and gazetted in the Kenya Gazette issue No. Vol.CXXVI-No.66 Gazette Number 5971 (Copy attached) The personnel expenditure as a percentage of total revenue will naturally come down.</p>	On going	
4. Non-Compliance with Law on Ethnic Composition	<p>A review of Human Resource records revealed that Gatanga Community Water Scheme had eighty-</p>	<p>Advertisements for vacant positions are done on print and online media in order to cover the entire</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	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.	country. Gatanga water is an equal opportunity employer and does not discriminate against race, creed, gender or colour		
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.	The company will endeavour to submit the returns as required	In-progress	
6. Non renewal of Service Provision Agreement	During the year under review, Gatanga Community Water Scheme has been operating without a	The company has processed and acquired an operating license from the Water Service	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>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.</p> <p>In the circumstances, the management was in breach of the law.</p>	<p>Regulatory Board WASREB, For the period 2024-2027</p>		

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management.
- (iii) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report.

Name *Jabir K. Kimani*  
 Signature 

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Managing Director

Date.....

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**Appendix II: Projects Implemented by the Company**  
**Projects**

Projects implemented by the Company Funded by development partners.

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

**Status of Projects completion**

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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

**Appendix III- Inter-Entity Confirmation Letter**

Name of Transferring entity.....

Name of Beneficiary entity.....

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

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

**Head of Accounts Department - Disbursing Entity:**  
 Name ..... Sign ..... Date .....

**Head of Accounts Department - Beneficiary Entity:**  
 Name ..... Sign ..... Date.....

Appendix IV: Reporting of Climate Relevant Expenditures

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

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Appendix V: Reporting Disaster Management Expenditure

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

(Attach forms from each transferring Government entity.)

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Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor or Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/Other s	Total Amount - KES	Where Recorded/recognized					Others - must be specified	Total Transfers during the Year
				Statement of Comprehensive Income	Capital Fund	Deferred Income	Receivables			
Ministry/County department of Water	-	Recurrent	-	-	-	-	-	-	-	-
Ministry/County Department of water.	-	Development	-	-	-	-	-	-	-	-
USAID	-	Donor Fund	-	-	-	-	-	-	-	-
name of Development partner/County department etc.	-	Direct Payment	-	-	-	-	-	-	-	-
Total			-	-	-	-	-	-	-	-

