

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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**REPORT**

**OF**

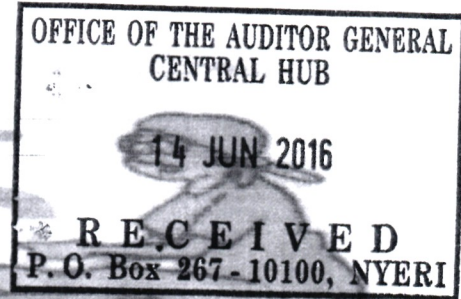
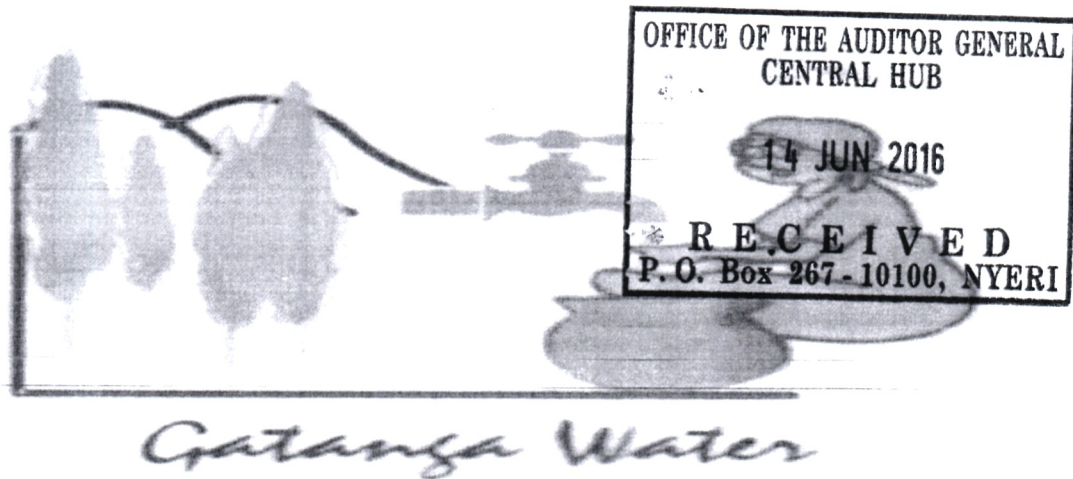
**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
GATANGA COMMUNITY WATER  
SCHEME LIMITED**

**FOR THE YEAR ENDED  
30 JUNE 2015**

**GATANGA COMMUNITY WATER SCHEME**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup>**  
**JUNE 2015**



**GATANGA COMMUNITY WATER**  
**SCHEME**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30<sup>TH</sup> JUNE 2015**

**GATANGA COMMUNITY WATER SCHEME**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup>**  
**JUNE 2015**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup>**  
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**KEY ENTITY INFORMATION**

The company was established by the Trustees Act Cap 164 (Perpetual Succession Act). At county level, the company is represented by the Sub-County administrator. The trustees are responsible for the general policy and strategic direction of the company.

**Principal Activities**

The principal activity of the trust is to ensure efficient and effective provision of water Services in its area of jurisdiction. The mandate and objectives of Gatanga Community Water Scheme are enshrined in the Memorandum and articles of association. The principal object of the Trust is to carry out the business of water provision within the area under its jurisdiction as provided for in the SPA

**VISION**

To be the leading Water service provider that meets customer expectations now and in future.

**MISSION STATEMENT.**

To effectively provide quality, affordable and sustainable water in Gatanga through the development and management of appropriate water supply infrastructure.

**GATANGA COMMUNITY WATER SCHEME**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup>**  
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**STRATEGIC OBJECTIVES.**

The following are the strategic objective that the Trust will aim at achieving during the period of this contract;

1. Supply reliable, sustainable, quality and affordable water.
2. To enhance revenue collection
3. To enhance customer satisfaction.
4. To attract, develop, and retain highly skilled and motivated staff.
5. To undertake organizational structure and cultural change.
6. To carry out system change.

**GATANGA COMMUNITY WATER SCHEME**  
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SCHEME CORPORATE INFORMATION

REGISTERED OFFICE

GATANGA COMMUNITY WATER SCHEME  
P.O BOX 6133-01000, THIKA  
MABANDA DO'S OFFICE COMPOUND  
THIKA-GATANGA ROAD  
TEL 0702710842  
[gatawa@yahoo.com](mailto:gatawa@yahoo.com)

BANKERS

BARCLAYS BANK OF KENYA-THIKA  
P.O BOX 219-01000,  
THIKA.

DONORS

COUNTY GOVERNMENT OF MURANG'A,  
ATHI WATERSERVICES BOARD.

AUDITORS

AUDITOR GENERAL  
P.O.BOX 30084-00100  
NAIROBI

**GATANGA COMMUNITY WATER SCHEME**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup>**  
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**BOARD OF TRUSTEES**



**THE CHAIRMAN**  
**JOSEPH KIBE**  
**DEGREE POLITICAL SCIENCE**



**B.N KAMANJA**  
**O LEVEL**  
**FINANCE COMMITTEE MEMBER**



**G. CHEGE**  
**O LEVEL**  
**TECHNICAL COMMITTEE MEMBER**



**J.B KARANJA**  
**O LEVEL**  
**VICE CHAIR**



**CAROL MWAURA**  
**LLB DEGREE**  
**COMPANY SECRETARY**



**EDWARD W. NJOROGE**  
**B.COM DEGREE**  
**CHAIRMAN AUDIT COMMITTEE**



**J.N KANGETHE**  
**O LEVEL**  
**TECHNICAL COMMITTEE MEMBER**



**JANE CHEGE**  
**B.COM DEGREE**  
**AUDIT COMMITTEE MEMBER**



**J.M GATHEO**  
**O LEVEL**  
**FINANCE COMMITTEE MEMBER**



**S.N KIBE**  
**O LEVEL**  
**CHAIRMAN TECHNICAL COMMITTEE**

**GATANGA COMMUNITY WATER SCHEME**  
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BOARD OF TRUSTEES(CONTINUES)

Name	Designation	Qualifications	Interest group/ responsibility	Expiry of Tenure
Joseph Kibe	Chairman	POLITICAL SCIENCE Degree	OVERALL	Trust
J.B Karanja	Vice chair	O level	Kariara location & chairman finance committee	Trust
John N.Kangethe	member	O level	Kihumbuini location & technical committee member	Trust
S.K Kibe	member	O level	Kigoro location & chairman technical committee	Trust
B.N Kamanja	member	O level	Mugumoini location &finance committee member	Trust
Carol Mwaura	Member	LLB Degree	Mukurwe location & member finance committee	Trust
Edward Njoroge	Member	B. COM Degree	Kariara location & chairman audit committee	Trust
Jane Chege	Member	B.COM Degree	Kigio location & audit member	Trust
Gilbert Chege	Member	O level	Gatanga location & technical committee member	Trust
Mwangi Gathee	Member	O level	Kiriaini location & finance committee member	Trust

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SENIOR MANAGEMENT



G. Njoroge



Isaac Ndirangu

Name	Designation	Qualifications	Year employed at Gatanga community water scheme	Nature of service (if contract, expiry of current contracts )
G.Njoroge	Managing Director	Higher Diploma Water Engineering	2006	September 2015
Margret Kamau	Commercial Manager	Diploma in water supply	2006	June 2015
Isaac Ndirangu	Technical Manager	Diploma in surface technology	2006	Employed by GOK

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**CHAIRMAN STATEMENT**

The financial year 2014/2015 have come to close and on behalf of the board of Trustees all the staff of Gatanga Community Water Scheme. Its my pleasure to present the same.

During the period under review my board guided the Trust in accordance to our mandate and as guided by the regulator.

Our investment proposal that the Trust sent to Athi Water Service Board is been funded this year.

The project after completion will improve the quality and quantity of the water consequently increases the revenue base.

There is a growth opportunity in the revenue base of the trust with the coming up of medium/ high class residential areas next to Thika town.

Our organization in the next strategic plan 2015-2018 come up with project designs to cover the same.

It's also our hope that the National Government and the county government of Murang'a or any other funding Agency will fund the development.

I would like to thank all the board members and the staff for the year gone and hope that they will continue putting more effort to improve on service delivery in the coming year.

**GATANGA COMMUNITY WATER SCHEME**  
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**MANAGING DIRECTOR STATEMENT**

The financial year 2014/2015, been one where the Trust recorded growth in several areas. The billing for the year reduced from Kshs. 34,052,130 in 2013/2014 to 32,918,527 in 2014/2015. This has been caused by breakdown of Kimakia intake and breakdown of our boreholes pump at Gathanji.

The Trust has endeavored to improve on debt collection and on policy of aging debt analysis.

During the year the number of connections increased from 7380 to 7782.

The coverage of our scheme is approximately 68% but the project that is been funded by Athi Water Service Board will increase coverage to about 80% of the population.

Main challenges remain as non- revenue water, old infrastructure which result in high operational costs, transport and cultural change on part of our customers.

It is our wish to continually endeavor to improve on service provision as we target to have 100% coverage.

As a devolved function guidance from the county government is required so as to have a good transition.

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**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup>**  
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**CORPORATE GOVERNANCE STATEMENT**

Gatanga Community Water Scheme is incorporated in Kenya under the Trustee's Act Cap 164

Under section 47(h) of the Water Act 2002 WASREB is supposed to develop guideline for and provide advice on the cost effective and efficient management and operation of water services.

This can only be achieved if the leadership in the water sector by principle of good governance. Good governance is embedded in the tenets of corporate governance.

This has been adhered to by senior management of Gatanga Community Water Scheme by governing the entity 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 water provider financially
- Improved the relationship between the water provider 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 and act as Agents of the Water Services Board.

The Board of Director as per the guideline of Water Services Board 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 in consultation with respective water service board etc. this therefore means that the board of directors make the strategic policies to be implemented by the senior managers for the smooth running of the water provider.

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**CORPORATE GOVERNANCE STATEMENT(continues)**

The board of directors comprises of 11 members. The directors are from different professions as per the guideline of the WSB. We have adhered to the gender rule as there are three females in the board.

The board has divided themselves in to various committee namely; finance, technical and audit committee. This has enhanced the good productivity of the company.

The Board also defined a board succession policies and it was passed that in the next general meeting 1/3 (a third) of the Board will retire.

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

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

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**CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

Water service providers shall endeavor to ensure that their organizations are responsible corporate citizens and that they have due regard for the interest of all stakeholders and the community in which they operate.

Gatanga Community water scheme has ensured that the local has enjoyed the existence of the scheme by employing some of the local with qualifications. The scheme also ensure it promote and is sensitive on preservation and protection of the environment by playing part on planting of trees.

The scheme also visits the pro-poor areas and help them especially with free piped water. This has improved the area they live in.

The scheme also ensures participation of stakeholders by calling meeting and been allowed to air their views to better the society.

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**REPORT OF THE TRUSTEES**

The Board of Trustees submits their annual report together with the audited financial statements for the year ended 30<sup>th</sup> June 2015 which discloses the state of affairs of the company.

**INCORPORATION**

The Trust (water scheme) is registered in Kenya under the Trustees (perpetual succession) Act chapter 164 and is domicile in Kenya. The address of the registered office is set out in page 2

**RESULTS**

Deficit for the year ended 30 June 2014 was Kshs. 1,214,016 and a deficit of Kshs. 995,802.10 for the year ended 30th June 2015.

**PRINCIPAL ACTIVITIES**

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

**TRUSTEES.**

The Trustees who held office during the year are listed on page 4

**BY ORDER OF THE BOARD.**

  
**GIKERI NJOROGE.**

**MANAGING DIRECTOR**

**DATE** 5/4/16 .....

**GATANGA COMMUNITY WATER SCHEME**  
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**STATEMENT OF TRUSTEES RESPONSIBILITIES**

The board of Trustees is required to prepare financial statements for each year. The financial statements are expected to give a true and a fair view of the state of affairs of the trust at the end of the financial year, and its income and expenditure for the year.

It also requires the Trustees to ensure that the water scheme keep proper accounting records which discloses with reasonable accuracy at any time, the financial position of the scheme. They are also responsible for safeguarding the assets of the scheme

The Trustees accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by responsible and prudent judgments and estimates, in conformity with international Financial Reporting Standards.

The Trustees further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the financial statement as well as adequate internal control systems.

Nothing has come to the attention of the Trustees to indicate that the Trust (Water Scheme) will not be a going concern for at least twelve months from the date of this statement.

NAME J. N. JOSEPH Sign  DATE 5/4/16

NAME B. N. KAMANJA Sign  DATE 5/4/16

# REPUBLIC OF KENYA

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Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON GATANGA COMMUNITY WATER SCHEME LIMITED FOR THE YEAR ENDED 30 JUNE 2015

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Gatanga Community Water Scheme set out on pages 15 to 29, which comprise the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 14 of the Public Audit Act, 2003. 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.

#### **Management's Responsibility for the Financial Statements**

The Board of Trustees is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of

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*Gatanga Community Water Scheme – Reports and Financial Statements for the year ended 30 June 2015*

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for Qualified Opinion**

#### **1. Accounts Receivables**

As previously reported, the accounts receivables balance of Kshs.44,396,509 as at 30 June 2015 includes trade receivables of Kshs.30,773,030 which have been outstanding for a considerable long period. Further, although the scheme has made a general provision for bad and doubtful debts of Kshs.4,866,158, no specific provision for bad and doubtful debts has been made during the year. The Scheme has no debts management policy and did not prepare age analysis to guide it on bad debts provision. In addition, no efforts appear to have been put in place to recover the outstanding trade receivables.

In the circumstances, the accuracy and recoverability of accounts receivables balance of Kshs.44,396,509 as at 30 June 2015 could not be confirmed.

#### **2. Consumer Deposits**

The statement of financial position reflects consumer deposits balance of Kshs.7,237,963 as at 30 June 2015. However, the actual balance held in bank account amounted to 2,285,193.80 as at the same date, resulting to unexplained variance of Kshs.4,952,769.20.

Consequently, the accuracy of consumer deposit balance of Kshs.7,237,963 as at 30 June 2015, could not be confirmed.

## **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Gatanga Community Water Scheme Company as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2002 and the Kenyan Companies Act.

## **Other Matter**

### **1. Unaccounted for Water (UFW)**

During the year under review, the scheme produced 1,749,600 cubic meters (m<sup>3</sup>) of water. However, out of this water volume, only 997,331 m<sup>3</sup> was billed to customers. The balance of 752,269 m<sup>3</sup> or approximately 43% of the total volume produced represented unaccounted for water (UFW) which is 18% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines. The UFW of 43 % may have resulted in loss of water sales estimated at Kshs.24,833,275. The significant level of UFW may negatively impact on the company's profitability and its long term sustainability.

### **2. Non-compliance with the Water Services Regulatory Board (WASREB) regulations on Trustee's Expenses**

Note 5 to the financial statements indicates that, the Board of Trustees incurred sitting allowances amounting to Kshs.1,231,428 for the period ended 30 June 2015. According to the Water Services Board guidelines, the trustees' expenses should not exceed 2% of the total recurrent expenditure or Kshs.721,039.60 for the year under review. The expenditure of Kshs.1,231,428 exceeded the set limit by Kshs.510,388.40. However, there was no evidence made available for audit review indicating that the management obtained approval from WASREB before incurring the over expenditure.

### **3. Non-compliance with the Service Level Agreement on Personnel Expenses**

Note 4 to the financial statements reflects personnel costs amounted to Kshs.19,775,766 for the year 30 June 2015 or 54.8% of the total expenditure of Kshs.36,051,979 is 14.8% over and above the maximum ratio of 40% in accordance with the Service Provision Agreement. The excessive personnel costs of Kshs.5,354,974.40 may negatively impact on the company's profitability if measures are not instituted to contain the cost within the acceptable level.

My opinion is not qualified in respect of these matters.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit, and,
- ii. In my opinion, proper books of account have been kept by the Scheme, so far as appears from my examination of those books; and,
- iii. The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**10 August 2016**

GATANGA COMMUNITY WATER SCHEME  
ANNUAL REPORT & FINANCIAL STATEMENTS  
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STATEMENT OF COMPREHENSIVE INCOME

INCOME		<u>2014/2015</u>	<u>2013/14</u>
	NOTE	<u>KSHS</u>	KSHS
Water sales	11 (a)	32,918,527	34,052,130
Connection & reconnection fees	11 (b)	985,800	1,030,275
Other income	11 (c)	1,179,473	1,934,932
<b>TOTAL INCOME</b>		<b><u>35,083,800</u></b>	<b><u>37,017,337</u></b>
<b>EXPENSES</b>			
Personnel cost	4	19,775,766	19,448,970
Trustee expenses	5	1,231,428	1,030,000
Administration Expenses	6	6,257,118	7,147,303
Operational cost	7	8,684,933	10,004,952
Financial expenses	8	102,734	86,128
<b>TOTAL EXPENSES</b>		<b><u>36,051,979</u></b>	<b><u>37,717,353</u></b>
Surplus for the year before tax		<b><u>(968,179)</u></b>	<b><u>(700,016)</u></b>
Income tax		<u>(27,623.00)</u>	<u>(514,000.00)</u>
<b>Surplus/ Deficit after tax</b>		<b><u>(995,802.10)</u></b>	<b><u>(1,214,016)</u></b>



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FOR THE YEAR ENDEND 30TH JUNE 2015

Statement of Changes in Equity.

	Capital Reserves	General reserves
year ended 30th June 2014		
Opening Balance as at July 2014	16,443,575	44,443,745
Prior year adjustment		
Surplus for the year	-	(1,214,016)
closing balance as at 30th June 2014	<u>16,443,575</u>	<u>43,229,730</u>
year ended 30th June 2015		
Opening Balance as at July 2014	16,443,575	43,229,730
Surplus for the year	-	(995,802)
closing balance as at 30th June 2015	<u>16,443,575</u>	<u>42,233,927</u>

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3.Currency

These financial statements are prepared in Kenya Shillings (Kshs) rounded to the nearest shilling

	<u>2014/2015</u>	<u>2013/2014</u>
	<u>KSHS</u>	<u>KSHS</u>
<b>4. PERSONNEL COST</b>		
Staff Salaries	16,599,400	14,418,196 00
staff Salaries paid by MOWI (operational Grant)	1,116,096	1,643,730 00
casual wages	1,415,320	2,017,292 00
Staff Training and Seminars	-	82,600 00
Other staff costs	644,950	1,287,152 00
<b>Total Personnel cost</b>	<b>19,775,766</b>	<b>19,448,970 00</b>
<b>5. TRUSTEE EXPENSES</b>		
Board sitting allowances	1,231,428	1,030,000 00
<b>6 Administration Expenses</b>		
Telephone and postage	202,180	151,000 00
Insurance	345,325	146,342 00
Printing and Stationery	85,906	387,311 00
Bulk sms services	114,484	41,312 00
Travel & accomodation	451,150	760,500 00
Training and workshops	97,288	330,288 00
Electricity	80,613	78,078 00
Depreciation	2,514,239	2,732,681 00
Office Expenses	418,727	309,107 00
Provision for bad & Doubtful debts	474,347	669,611 50
R & M Computer repair	92,180	174,123 00
A.G.m Expenses	240,000	220,000 00
Christmas party and gift	175,000	175,000 00
Current:Audit provision	290,000	290,000 00
Licence and permits	73,048	56,519 00
Newspaper & periodicals	46,560	41,320 00
Advertisement	14,072	24,130 00
Consultancy	300,000	536,200 00
Sports and Equipments	242,000	23,780 00
<b>Total Administration Costs</b>	<b>6,257,118</b>	<b>7,147,303</b>
<b>7 OPERATION COST</b>		
water fittings and pipes	1,472,888	1,479,265 00
Repair and maintenance of water systems	559,040	891,708 00
Transport and fuel	1,744,645	1,722,719 00
Repair and maintenance of motor vehicles	553,343	399,435 00
Repair and maintenance of motor cycles	169,520	200,590 00
Wasca subscription	40,000	
Athi Water Service Board- Lease fees	2,616,410	2,515,639 00
Water Abstraction Fees - WARMA	904,500	452,250 00
Water Abstraction Fees - WARMA for previous years	-	1,769,000 00
Regulatory Levy - Water Service Regulatory Board.	290,712	279,515 00
Water service Providers - (WASPA- Subscriptions)	50,000	50,000 00
Coporate social responsibility	-	29,400 00
kfs Annual permit	70,000	70,000 00
Repair and maintenance of billing system	50,000	50,000 00
Bore hole electricity	163,875	95,431 00
<b>TOTAL OPERATION COST</b>	<b>8,684,933</b>	<b>10,004,952 00</b>
<b>8 .Financial expenses</b>		
Bank charges	81,099	69,462 00
M-pesa charges	21,635	16,666 00
	<b>102,734</b>	<b>86,128 00</b>

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**STATEMENT OF CASHFLOWS**

INCOME	<u>2014/15</u>	<u>2013/14</u>
	<u>KSHS</u>	<u>KSHS</u>
Cash flow from operating activities		
Profit before income taxes	(968,179)	(700,016)
<u>Adjust for:</u>		
Increase/ (Decrease) provision account	1,859,914	2,455,816
Depreciation	<u>2,514,239</u>	<u>2,732,681</u>
Operating profit before working capital changes	<u>3,405,974</u>	<u>4,488,481</u>
working capital changes		
Increase /( Decrease) Payables	226,900	3,073,458
Increase Accounts receivables	<u>(4,399,485)</u>	<u>(6,064,280)</u>
Cash generated from operating activities	<u>(766,612)</u>	<u>1,497,659</u>
Tax paid	<u>-</u>	<u>(363,000)</u>
Net cash generated from operating activities	<u>(766,612)</u>	<u>1,134,659</u>
cash flow from investing activities		
Acquisition of assets	(1,328,250)	(1,416,289)
Net cash flow after investing activities	(1,328,250)	(1,416,289)
cash flow financing activities:		
Increase in Members deposits	541,200	506,500
Net cash generated from financing activities	<u>541,200</u>	<u>506,500</u>
net increase in cash & cash equivalent	<u>(1,553,661)</u>	<u>224,871</u>
cash and cash equivalent as at 1st July 2014	<u>1,977,126</u>	<u>1,752,255</u>
cash and cash equivalent as at 30th June 2015	<u>423,465</u>	<u>1,977,126</u>

GATANGA COMMUNITY WATER SCHEME  
ANNUAL REPORT & FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2015

3.Currency

These financial statements are prepared in Kenya Shillings (Kshs) rounded to the nearest shilling

	<u>2014/2015</u>	<u>2013/2014</u>
	KSHS	KSHS
<b>4. PERSONNEL COST</b>		
Staff Salaries	16,599,400	14,418,196.00
staff Salaries paid by MOWI (operational Grant)	1,116,096	1,643,730.00
casual wages	1,415,320	2,017,292.00
Staff Training and Seminars	-	82,600.00
Other staff costs	644,950	1,287,152.00
<b>Total Personnel cost</b>	<u>19,775,766</u>	<u>19,448,970.00</u>
<b>5. TRUSTEE EXPENSES</b>		
Board sitting allowances	<u>1,231,428</u>	<u>1,030,000.00</u>
<b>6 Administration Expenses</b>		
Telephone and postage	202,180	151,000.00
Insurance	345,325	146,342.00
Printing and Stationery	85,906	387,311.00
Bulk sms services	114,484	41,312.00
Travel & accomodation	451,150	760,500.00
Training and workshops	97,288	330,288.00
Electricity	80,613	78,078.00
Depreciation	2,514,239	2,732,681.00
Office Expenses	418,727	309,107.00
Provision for bad & Doubtful debts	474,347	669,611.50
R & M Computer repair	92,180	174,123.00
A.G.m Expenses	240,000	220,000.00
Christmas party and gift	175,000	175,000.00
Current:Audit provision	290,000	290,000.00
Licence and permits	73,048	56,519.00
Newspaper & periodicals	46,560	41,320.00
Advertisement	14,072	24,130.00
Consultancy	300,000	536,200.00
Sports and Equipments	242,000	23,780.00
<b>Total Administration Costs</b>	<u>6,257,118</u>	<u>7,147,303</u>
<b>7 OPERATION COST</b>		
water fittings and pipes	1,472,888	1,479,265.00
Repair and maintenance of water systems	559,040	891,708.00
Transport and fuel	1,744,645	1,722,719.00
Repair and maintenance of motor vehicles	553,343	399,435.00
Repair and maintenance of motor cycles	169,520	200,590.00
Wasca subscription	40,000	
Athi Water Service Board- Lease fees	2,616,410	2,515,639.00
Water Abstraction Fees - WARMA	904,500	452,250.00
Water Abstraction Fees - WARMA for previous years	-	1,769,000.00
Regulatory Levy - Water Service Regulatory Board.	290,712	279,515.00
Water service Providers - (WASPA- Subscriptions)	50,000	50,000.00
Coporate social responsibility	-	29,400.00
kfs Annual permit	70,000	70,000.00
Repair and maintenance of billing system	50,000	50,000.00
Bore hole electricity	163,875	95,431.00
<b>TOTAL OPERATION COST</b>	<u>8,684,933</u>	<u>10,004,952.00</u>
<b>8 .Financial expenses</b>		
Bank charges	81,099	69,462.00
M-pesa charges	21,635	16,666.00
	<u>102,734</u>	<u>86,128.00</u>

**GATANGA COMMUNITY WATER SCHEME  
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FOR THE YEAR ENDED 30TH JUNE 2015**

	<u>2014/15</u>	<u>2013/14</u>
	Kshs	Kshs
<b>9 CASH &amp; CASH EQUIVALENTS</b>		
Water sale A/C -1226975	325,963.85	142,799.20
Customers deposit a/c A/C- 1226967	727,780.80	2,134,251.00
Expenditure a/c A/C- 1226983	(640,210.35)	(341,397.05)
Total Bank Balance	<u>413,534.30</u>	<u>1,935,653.15</u>
Cash Balance at hand on 30th June 2013		
Office cash A/C-1226983	9,930.00	41,472.00
Total Cash Equivalnets	<u>423,464.30</u>	<u>1,977,125.15</u>
<b>10. ACCOUNTS RECEIVABLES</b>		
Book debtors-water	48,661,584	43,918,117
Debtors balance (water)	48,661,584	43,918,117
Provision for Bad & Doubtful debts @ 10%	4,866,158	4,391,812
Net (water) debtors	<u>43,795,425.70</u>	<u>39,526,305.30</u>
Insurance	116,435	58,174
Staff loan	109,500	75,660
Pension (National water)	78,339	78,159
Total kenya	50,084	12,000
Muranga south water & sewerage co.ltd	186,617	186,617
Staff pension paid by Company	30,108	30,108
Tusquee	30,000	30,000
Total Accounts Receivable	<u>44,396,508.70</u>	<u>39,997,023.30</u>
<b>11. Income</b>		
a)Water billing	32,918,527	34,052,130
b)Conection & reconnection	985,800	1,030,275
	<u>33,904,327</u>	<u>35,082,405</u>
c)Other income		
Salary grant-GOK	1,116,096	1,643,730
Decrease in prov.electricity	43,377	141,202
Decrease in prov for AGM	20,000	
Decrease in prov for WARMA	-	150,000
	<u>1,179,473</u>	<u>1,934,932</u>

**GATANGA COMMUNITY WATER SCHEME  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2015**

	<u>2014/15</u>	<u>2013/14</u>
<b>12. Accounts Payable</b>	<b>Ksh</b>	<b>Ksh</b>
1 WARMA	2,115,125	2,115,125
2 Wandi general suppliers	375,480	713,510
3 Kenya national audit Office	290,000	290,000
4 Neema Hardware	201,035	-
5 Salary arrears	460,781	289,532
6 WASREB	183,781	174,349
7 Bromak general marchants	525,235	203,560
8 Willy juu printers & printers	-	140,112
9 Wallace price management consulting	-	139,200
10 Tusquee	9,982	15,212
11 Posta kenya	7,300	6,000
12 Accrued wages	-	70,000
13 Silver city	-	52,000
14 Payee	34,084	142,085
15 Gatuya hardware	-	279,000
16 Prestige pumping	60,275	-
17 Matkam & Company	144,000	-
18 MATRIX CODE LTD	449,507	-
19 N.H.I.F	10,340	-
20 MFI	26,680	-
Accounts Payable	<u>4,856,585</u>	<u>4,629,685</u>
income tax	178,623	151,000
<b>Total Accounts Payable</b>	<b>5,035,208</b>	<b>4,780,685</b>
<b>13. Provision account</b>		
1 AWSB-Lease	4,328,912	3,230,402
2 Audit provisions	580,000	290,000
3 Bore hole electricity	-	43,377
4 AGM	240,000	220,000
5 Provision for internal Audit Services	144,000	-
6 Provision for subscription(WASPA)	100,000	50,000
7 KFS Way leave	70,000	-
8 PAYE	190,781	-
9 Provision for subscription(WASCA)	40,000	-
	<u>5,693,693</u>	<u>3,833,779</u>
<b>14. Customer Deposits</b>	<u>7,237,963</u>	<u>6,696,763</u>

**GATANGA COMMUNITY WATER SCHEME**  
**ANNUAL REPORT AND FINANCIAL STATEMENT**  
**TAX COMPUTATION**

	<u>2014/2015</u>	<u>2013/2014</u>
	KSH	
Surplus for the year	(968,179)	(700,017)
<b>ADD DISALLOWABLES</b>		
Depreciation	2,514,239	2,732,681
Increase in Provision for bad debts	474,347	669,612
	<b>2,020,406</b>	<b>2,702,277</b>
<b>LESS ALLOWABLES</b>		
Wear and tear	2,514,239	2,732,681
Taxable profit/ (loss)	<u>(493,832)</u>	<u>(30,405)</u>
Tax @ 30%	<u><u>-</u></u>	<u><u>-</u></u>

GATANGA COMMUNITY WATER SCHEME  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2015

Fixed Assets Movement Schedule

	<u>Furniture &amp; Fittings</u>	<u>Motorcycles</u>	<u>Motorvehicle</u>	<u>Equipments</u>	<u>Computers &amp; Peripherals</u>	<u>water pipelines</u>	<u>BILLING SOFTWARE</u>	<u>water plots</u>	<u>Operational tool</u>	<u>Building (WIP)</u>	<u>Total</u>
Total Costs as at 30.6.2014	606,914	518,000	1,750,000	502,920	1,348,600	34,773,173	-	780,000	220,000	4,204,831	44,704,438
additions	-	-	-	-	-	429,145	899,105	-	-	-	1,328,250
Total cost as at 30.6.15	606,914	518,000	1,750,000	502,920	1,348,600	35,202,318	899,105	780,000	220,000	4,204,831	46,032,688
Accumulated depreciation as at 30/06/2014	285,937	518,000	1,750,000	383,372	1,295,655	6,621,723	-	-	82,500	756,869	11,694,056
Charge for the year	75,864	-	-	62,865	39,000	1,760,116	89,911	-	66,000	420,483	2,514,239
Accum dep as at 30.6.15	361,801	518,000	1,750,000	446,237	1,334,655	8,381,839	89,911	-	148,500	1,177,352	14,208,295
closing Net book Value As at 30.06.2015	245,113	-	-	56,683	13,945	26,820,479	809,195	780,000	71,500	3,027,479	31,824,395
closing Net book value As at 30.06.2014	320,977	-	-	119,548	52,945	28,151,450	-	780,000	137,500	3,447,962	33,010,384

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 1. **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 *entity's* accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity* and all values are rounded to the nearest thousand (Kshs'000).

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

### 2. **Revenue recognition**

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the *entity* and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the *entity's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the *entity's* activities as described below.

- i) **Revenue from rendering of services** is recognised in the year in which the *entity* delivers services to the customer, the customer has accepted the service and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognised in the year in which the *entity* actually receives such grants.
- iii) **Other income** is recognised as it accrues.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3. Property, plant and equipment

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

### 4. 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 costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line 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:

Buildings	10%
Operational tools	30%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%
Water tanks & plots	0%
P.V.C Pipeline	5%
Software amortisation	10%

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 5 Depreciation and impairment of property, plant and equipment (Continued)

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

### 5. Intangible assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

### 6. Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

### 7. Trade and other receivables

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

### 8. Taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 9. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call 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 commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to employees which were not paid at the end of the financial year.

### 10. Borrowings

The company don't make borrowing from commercial banks. It uses the internally generated funds.

### 11. Trade and other payables

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

### 12. Comparative figures

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

### 13. 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, 2015.

## RELATED PARTY DISCLOSURES

### (a) Government of Kenya

The Government of Kenya is the principal shareholder of the *entity*, holding 100% of the *entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *entity*, both domestic and external.

There were not other *entity* transactions involving the Government of Kenya.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Risk management objectives and policies

#### Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk.

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the water financial performance.

Risk management is carried out by the management. Management identifies, evaluates and hedges financial risks in close co-operation with various departmental heads.

#### (a) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Individual limits are set based on internal or external information in accordance with no limits set by the management. The utilization of credit is regularly monitored.

None of the financial assets that are fully performing has been renegotiated in the last year.

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

**(b) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the

underlying businesses, the company's management maintains flexibility in funding by Maintaining availability under committed credit lines. Meanwhile company has not gone offshore.

**Incorporation**

Gatanga Community Water Scheme is incorporated in Kenya under the Trustee's Act Cap 164