

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

DATE	9/5/2024
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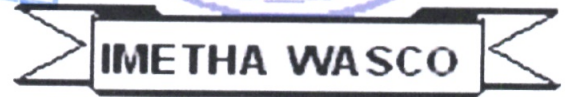
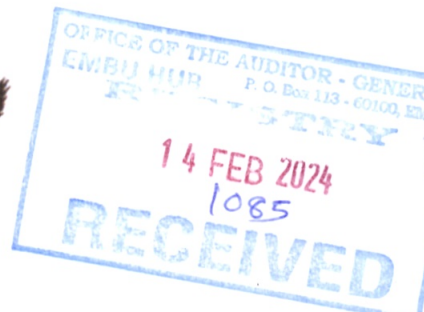
THE AUDITOR-GENERAL

PARLIAMENT
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ON

**IMETHA WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2023**



IMETHA WATER AND SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023**

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

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1.ACYONMS AND GLOSSARY OF TERMS.

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
GM	Managing Director
PFM	Public Financial Management
PSAB	Public Sector Accounting Standards Board
CEO	Chief Executive Officer
WaSREB	Water Services Regulatory Board
WSTF	Water Sector Trust Fund
DTF	Decentralised Treatment Facility

2.Key Entity Information

Background information

The *Imetha water and sanitation company* ltd was incorporated by the companies Act (cap 486) Act of the laws of Kenya on 31st March 2006. At cabinet level, the *Imetha water and sanitation company* ltd is represented by the Cabinet Secretary for Ministry of Irrigation, Water and Natural resources, who is responsible for the general policy and strategic direction of the *Imetha water and sanitation company*. The constitution of Kenya 2010 under the fourth schedule placed water and sanitation services to the county governments. Consequently, the transition authority vide gazette notice no 154 of the 9th august 2013, transferred water service provision including water and sanitation and sewerage companies to the county government of Meru.

Principal Activities

The principal activity of *Imetha water and Sanitation Company* ltd is to provide adequate, reliable and affordable water in its area of jurisdiction.

Mission statement

To Avail and ensure integrated economic water and sewerage services by developing a sound and sustainable financial system as water service provider.

Vision statement

To be leading water and sanitation services provider in Kenya

Core objectives

- i. Integrity
- ii. Team work
- iii. Fairness
- iv. Gender equity
- v. Honesty
- vi. Transparency
- vii. Social responsibility
- viii. Excellent performance and service delivery
- ix. Professionalism in all the undertakings
- x. Customer friendliness and responsiveness

Directors

The Directors who served in Imetha Water and Sanitation Company ltd during the year/period were as follows:-

1	Dr. Mworira Mugambi	Director	16 May 2018
2	Mr George Kimathi	Director	16 September 2022
3	CPA Jackline Karimi Maitima	Director	16 May 2022
4	Ms Elizabeth Kanini	Director	16 May 2018
5	Mr. Patrick Mugendi	Secretary	September 2022

Registered Office

Ministry of water & irrigation offices
Meru-Nanyuki Road
P.O. Box 467 - 60200
MERU/KENYA

Corporate Headquarters

Ministry of water & irrigation offices
Meru-Nanyuki Road
P.O. Box 467 - 60200
MERU/KENYA

Corporate Contacts

Telephone: (254)064- 31781
E-mail: imethawsl@gmail.com
Website: www.imethawasco.co.ke

Corporate Bankers

1. Co-operative Bank of Kenya
P.O. Box 1328-60200
Meru
2. Capital Sacco
P.O. Box 1479-60200
Meru

Independent Auditors






Auditor General
Office of the auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100

Nairobi, Kenya




Principal Legal Advisers

1. The Attorney General
State Law Office-Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya
2. Mithega & Company Advocates
P O Box 612-60200
MERU
TEL. 0733-235604

3. BOARD OF DIRECTORS

Photo	Name and Qualifications	Date of Birth and Experience
	Dr. Mugambi Mworia Ph.D. (Range Science), MSc (Range science), BSc. Ecology	Date of Birth 1953 Senior Lecturer and Chairman Department of Agriculture Kenya Methodist University Chairman Eastern Conservancy Kenya Forest Services Associate consultant, Publix (Africa) Ltd
	CPA Jackline Karimi Maitima Bachelor of Commerce, CPA(K)	Date of Birth 1980 Assistant Accountant General, National Treasury and planning 17th December 2021
	Mr. George Kimathi PhD. Climate Change and Adaptation Msc. Natural Resources Management, Bsc (Environmental Science)	Date of Birth 28th July 1984 Ag. Chief Officer Water and Irrigation, Climate change & Natural Resources County Government of Meru,
	Ms. Elizabeth Kanini Dip. Business Management	Date of Birth 1974 Formerly nominated MCA from 2013 to 2017, Land Control Board Member from July 2007 to June 2014, Worked at Meru North Farmers SACCO.
	Patrick Mugendi Kwiriga, Ag. Chief Executive Officer BBS, Development studies, Masters Human Resource Management	Date of Birth 29/12/1977 Over 10 years experience in Administration

4. MANAGEMENT TEAM

<p>2. Mr. Edward Njagi Mugambi</p> 	<p>Date of birth 1969 Key profession/ Academic qualifications:</p> <p>Higher National Diploma in Water Engineering</p> <p>Responsibility: Technical Manager August 2015 - to date</p>
<p>3. Mr Patrick Mugendi</p> 	<p>Date of birth 1978 Key profession/ Academic qualification:</p> <p>Bachelor's Degree Human resource Development Studies & Economics.</p> <p>Responsibility: Human Resource Officer 22nd February 2014 - to date</p>
<p>4. Winfred Mukiri</p> 	<p>Date of birth 1986 Key profession/ CPA K, Bachelor's degree in Commerce Banking and Finance option</p> <p>Responsibility: Commercial Manager September 2012-to Date</p>

5. CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30TH JUNE 2023

It is my pleasure to present the financial statements for the 2022-2023 for the Imetha water and sanitation company. The financial statements are the yardstick which measures the financial performance of the company for the period in review. Despite the challenges occasioned by worldwide economic crisis, we continued to provide water and sanitation services in our area of jurisdiction. The company experienced water shortage as a result of the prolonged drought. This forced us to provide water to our customers through rationing programmes.

Financial Performance

The company continued to provide services albeit hard economic conditions and harsh climatic conditions. Despite the harsh conditions, the turnover dropped from Kshs 54,306,969 million to Kshs 51,524,775 million as compared to the previous financial year. In order to cushion water service providers, the Water Sector Trust Fund disbursed Kshs 10,801.325 million as a grant for a new pipeline in Mitunguu water scheme. The funds were utilized as per the terms and conditions of the WSTF

Water Infrastructure

During the period, the company embarked on addressing water coverage and improvement of distribution lines by sourcing funds from WSTF to rehabilitate 14.1 kilometres HDPE distribution pipeline in Mitunguu scheme. Some 19 Master meters are also factored to monitor the Non-revenue

Performance Ranking

A performance report by the Water Services Regulatory Board ranked the company position 71 Nationally with 49 points a drop from position 49 with 66 points the previous period. The water service provision is governed by the Water Act 2016. Consequently, during the year the company negotiated for the water service provision licence with WASREB. This was successful whereby the company qualified for a two years interim operating license.

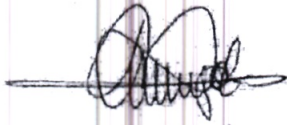
In order to continue providing services to the existing and new customers, we have to deliberately make significant investments in the water infrastructure to increase the supply of water as envisaged in the 5(five) year Strategic Plan.

On behalf of the Board of directors, I would like to thank our customers, development partners especially, the WSTF for continuously funding the company and the County government of Meru for providing us enabling environment.

Finally, I acknowledge our suppliers, management and staff for their contributions during the year.

Imetha water and sanitation company.
Annual Reports and Financial Statements
For the year ended June 30, 2023

Thank you



Dr Mworia Mugambi
Chairman Board of Directors
Meru County Urban Water & Sanitation Services Corporation

6.REPORT OF THE CHIEF EXECUTIVE OFFICER FOR THE FINANCIAL YEAR ENDED JUNE 2023.

It is my pleasure to report on the performance of the company for the financial year 2022/2023. During the year, the company dropped on its operating income to 51,524,775 million in comparison to the previous year's Kshs. 54,306,969.21 million. The drop was as a result of the prolonged drought which led to the reduction of the water at the sources. However, the trade debtors increased by Kshs 697,891 as compared to an increase of Kshs **1,674,081** in the previous year.

Infrastructure improvement

IMETHAWASCO inherited water infrastructure from the National Government in a dilapidated state. Huge investments are therefore required to develop and improve water infrastructure which are old and very wasteful, in order to meet the growing water demand. The ever-increasing demand for water services within the area of company's jurisdiction is caused by population growth, expansion of major towns and rural urban migration. The WSTF, funded the company with Kshs 18,279,870 to rehabilitate Mitunguu water reticulation system and a further kshs 17, 214,223.40 for sanitation infrastructure.

Customers

At IMETHA we value every customer and we strive to ensure our customers are satisfied and delighted by supplying them with clean, safe and reliable water. In order to meet this objective, we carryout hourly tests on various supply points. Regular tests are carried out to attest that the water quality meets regulatory requirements and conforms to the WHO standards.

During the period we organized sensitization through clinics to our customers to appeal to them to promptly pay for the water services to enable us continue providing the commodity. We are grateful to the customers who heeded this call and paid their water bills despite the tough economic crisis. Those who didn't heed to our call have a chance to come and enter into payment arrangement on how to settle their bills. On behalf of the management, I would like to thank our customers for their continued support they have given us throughout the period.

Non -Revenue Water

The company like any other water service provider is faced with problem of water losses that currently stand at 40 percent, similar to previous year of 40 percent . The Non-Revenue Water (NRW) is mainly

Imetha water and sanitation company.
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attributed to illegal water use by unscrupulous individuals, under registering of old meters, leakages and bursts of old and dilapidated pipelines and pipeline damages caused by road contractors. In order to reduce the NRW, the company has implemented several interventions among them investigating and liaising with the authorities including the newly formed water police unit to apprehend the culprits illegally using water, rehabilitation of old and dilapidated infrastructure , regular monitoring of category one consumer meters (heavy Consumers).

Staff

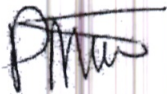
The achievements registered over the period would not have been possible without the professionalism and teamwork of our staff who remained committed throughout the period to attend our customer needs. On the other hand, towards improvement of our staff welfare, we regularly train our staff on various aspects in the service.

Conclusion

I take this opportunity to thank the County Government of Meru for providing an enabling environment for service delivery. We also cannot forget Water sector trust fund for the Mitunguu projects funding which assisted us much.

Finally, I express my gratitude to the Board of Directors for the continued guidance and support they provide to the Company.

Regards



Patrick Mugendi

Ag chief Executive Officer

**7. STATEMENT OF IMETHA WATER AND SANITATION COMPANY LTD PERFORMANCE
AGAINST PREDETERMINED OBJECTIVES FOR FY
2022/2023**

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

The company has strategic pillars and objectives within its annual work plans for the FY 2022/2023

These strategic pillars are as follows:

Pillar 1: Increase water supply coverage

Pillar 2: Operation efficiency and customer service

Pillar 3: Financial sustainability

Pillar 4: Institutional Capacity/strengthening

Pillar 5: Corporate Governance

The assessment of the Board's performance against its annual work plan is done on a quarterly basis. Imetha water Sanitation Company continued to implement its performance targets set for the FY 2022/2023

Imetha strategic plan is in the place

8. CORPORATE GOVERNANCE STATEMENT

The Board of directors of the Company is responsible for the Governance of the Company. Good corporate governance is a fundamental part of the culture and business practices of the Company. The key aspects of the Company's corporate governance framework and primary corporate governance practices for the year are outlined below.

The Board of Directors

The Board's most significant responsibilities are:

Stakeholder interests

- Guiding the Company with a view to long-term provision of clean and safe water at low cost having regard to the interests of all stakeholders, including customers, regulators, staff and the communities in the areas in which the Company operates;
- Providing strategic direction to the Company with a focus on consistent business performance, behaviour, transparency and accountability; and
- Reviewing and monitoring corporate governance and corporate social responsibility.

Strategy

- Reviewing, approving and monitoring corporate strategy and plans;
- Reviewing, approving and monitoring major investment and strategic commitments.

Performance

- Reviewing business results; and
- Monitoring budgets.

Integrity of external reporting

- Reviewing and monitoring the processes, controls and procedures which are in place to maintain the integrity of the Company's accounting and financial records and statements, and
- Reviewing and monitoring reporting to stakeholders and regulators

Risk management and compliance

- Monitoring and reviewing the risk management processes, the Company's risk profile and the processes for compliance with prudential regulations and standards and other regulatory requirements; and

- Reviewing and monitoring processes for the maintenance of adequate credit quality, Executive review, succession planning and culture
- Approving key executive appointments and remuneration, and monitoring and reviewing executive succession planning and diversity;
- Reviewing and monitoring the performance of the General Manager and senior management; and
- Monitoring and influencing the Company's culture, reputation and ethical standards.

Board performance

- Monitoring Board processes and performance. The Board has reserved certain powers for itself and delegated authority and responsibility for day-to-day management of the Company to the General Manager. Delegations are subject to strict limits. The General Manager's authorities and responsibilities include:
 - Development and implementation of Board approved strategies;
 - Setting operational plans within a comprehensive risk management framework; and
 - Sound relationship management with the Company's stakeholders. All delegated authorities provided by the Board to the General Manager are reviewed as required.

Composition of the Board.

The members of the Board and the period each member has been in office are set out in the Report of the Directors. The composition of the Board is driven by the following principles:

- The Board will be of an appropriate size and as recommended by the regulator to allow efficient decision making;
- The Chairman of the Board was elected by all the other Directors;
- The Board should be representative of all the areas of operation of the company
- The composition of the board should be such that neither gender is more than two thirds
- The Board should consist of directors with a broad range of expertise, skills and experience from a diverse range of backgrounds, including sufficient skills and experience.

Board meetings

The company board of directors conducts its meetings according to the rules and procedures contained in its governing documents. There were three meetings held in each quarter that is audit committee meetings, finance administration and technical committee meetings and the full board meeting. During the year the

Imetha water and sanitation company.
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For the year ended June 30, 2023

company held two audit committee meetings, two finance, administration and technical meeting and two full board meetings.

The committee was constituted and had the following members:

During the financial year 2022/2023 the board held 14 meetings. The details of the attendance at these meetings are as set out below:

NAME OF THE DIRECTOR	FULL BOARD MEETING		NAME OF THE COMMITTEE	COMMITTEE MEETING	
	ATTENDED	ELIGIBLE TO ATTEND		ATTENDED	ELIGIBLE TO ATTEND
Dr. Mugambi Mworia	4	4	Special	1	1
			Audit	2	2
			Finance	2	2
			Technical	2	2
Mr. Francis Mungai	-	-	Special	1	1
Ms. Elizabeth Kanini	4	4	Special	1	1
			Audit	2	2
			Finance	2	2
			Technical	2	2
Mr. Jackson Muthamia	2	2	Special	1	1
			Technical	1	2
Mr. George Kimathi	2	2	Audit	1	2
			Finance	1	2
			Technical	1	2
Mr. Charles Mwenda	-	-	Finance	1	2
			Technical	1	2
Ms. Jackline Karimi	2	2	Audit	2	2
			Finance	1	1

Water Sector Reforms

The Constitution of Kenya 2010 devolved the provision of water services to the County governments. Consequently, the County Assembly of Meru passed a bill to provide for development, regulation and management of county public works related to water and sanitation services. The Act provides for the creation of Meru County Urban Water and Sanitation Corporation to be the successor to MEWASS and Imetha. The corporation is responsible for the provision of water and sanitation services in the urban settlement within Meru County.

9. MANAGEMENT DISCUSSION AND ANALYSIS

Imetha water and Sanitation Company presents its financial performance for the year ending 30th June 2022. The company continued to provide water service in its area of jurisdiction whose mission is to provide quality water and sanitation services to its customer's delight, through a committed workforce using modern technology.

Revenue

The revenue from water services billings, to date had Upward trend compared to the previous year. The company continued to enhance distribution network capacity in order to deliver more water. This has helped in growing the revenue.

During the year ending June 2023, the company's revenue was **Kshs 51,524,775** compared to the **Kshs 54,306,969** of the year ended 30th June 2022. The reason for the decline in income was majorly attributed to climate change therefore leading to lack of enough water hence low billing..

Expenditure

The company's primary expenditure relates to Administration, Operation and Maintenance and Personnel costs. The others are depreciation of assets. During the year ending 30th June 2023, expenditure was **kshs 58,282,563** as compared to **Kshs 59,839,635** in the previous year was incurred.

Liquidity

In the financial year ending June 2023, there was increase in receivable by **kshs 697,891** this is attributable to by unpaid bills due to inadequate water resulting from prolonged dry spell. There was also a increase in accounts payables this is because the company was not able to settle some of the debts, e.g. WRMA and TWSB due to financial constraints. The company had a negative working capital of **Kshs 654,493**

As at 30th June 2023 the company had **Kshs 10,717,929** as cash at hand and bank, inventory of **Kshs 900,476** The total current assets were **Kshs 51,640,286** and the total current liabilities was **Kshs 52,294,779** therefore the company had a net working capital of **654,493**

10.ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Imetha water and sanitation company exists to transform lives. This is our purpose :the driving force behind everything we do. Its what's guides us to deliver our strategy, putting the customer first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisations policies and activities that promote sustainability.

i) SUSTAINABILITY STRATEGY AND PROFILE

The continuity of our company is hinged/dependant among other on the following key foundations

- Water source
- Distribution infrastructure
- Production levels
- Distribution efficiency
- Non - revenue water reduction
- Water safety

The company has made efforts to the above key foundations to reduce water scarcity which can affect the company future. In addition as part of company mandate of increasing sewerage services to Meru residents, it as constructed 200 Toilets to the residents of Mitunguu and constructed Decentralized Treatment Facility with help from WSTF at Mitunguu water scheme, this will increase customers and add the company more revenue streams.

ii) Environmental Performance

Imetha water and sanitation company values environment and strives to protect the environment more so its water catchment areas the management is in the process of developing a policy.

iii) Employee Welfare

The company recognizes that staffs are critical resource for attainment of corporate objectives and personal development. The company therefore prioritises employee welfare, among other employee management initiatives the following are emphasized: training, Health and safety at work place and Personal career developments. To enhance compliance with occupational safety and health act the management is proposing to develop a policy.

iv) **MARKET PLACE PRACTICES**

a) **Responsible Competition Practice**

The company acknowledges the role played by competitors in complimenting it service to all citizens under its jurisdiction given by the regulator to supply water , which is a right enshrined in the Kenya constitution. in this regard, the company engages other water supply organisation more so the community projects and provides them with technical expertise in Non-Revenue water reduction and water safety.

b) **Responsible Supply Chain And Supplier Relations**

The company acknowledges the importance of managing suppliers through prompt payment. We endeavour to pay supplier invoices within the credit period given by our suppliers .where the company is unable to meet this obligation on due dates we provide a notice to suppliers of the delay and communicate alternative paying dates.

c) **Responsible Marketing**

The company while publicizing of its products, ensures that our marketing and advertisements campaign are conducted using fair language. are morally upright and adhere to other fair marketing and advertising practices . The entity is in process formalising a policy document.

d) **Product Stewardship**

The company provides its customers with clean reliable water, to achieve this, hourly tests are conducted and also regular tests are carried out to attest that the water quality meets regulatory standards and conforms to the WHO standards. The company as protected water catchment areas by planting trees and creating awareness to community of the need to protect water sources.

11. CORPORATE SOCIAL RESPONSIBILITY/COMMUNITY ENGAGEMENTS

The company through its pro poor programmes continued to increase coverage for both water and sanitation to the unserved and underserved within its area of jurisdiction during the financial year.

The company was able to:

- To improve the health standards of Timau water scheme the company is planning to subsidize 200 No of pour flash toilets and constructing a Decentralised Treatment Facility

11.REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the *Imetha water and sanitation company's* affairs.

Principal activities

The principal activities of the Imetha water and sanitation company continue to be to provide adequate, reliable, and affordable water in its area of jurisdiction.

Results

The results of the Imetha water and sanitation company for the year ended June 30, 2023 are set out on page 2-77

Dividends

the company has not declared dividends for the year ended 2023, any profits made are ploughed back to finance the Extension of services in the underserved areas in accordance with the water act 2016.

Directors

The members of the Board of Directors who served during the year are shown on page v In accordance with Regulation of Meru County water and sanitation services act of 2014

Auditors

The Auditor General is responsible for the statutory audit of the *Imetha water and Sanitation Company* in accordance with regulation of Meru County Water and Sanitation Services Act of 2014 and article 229 of the constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



DR. Mworia Mugambi

Chairman of Directors

Meru County Urban Water & Sanitation Services Corporation

12.STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the public finance management act,2012 and The Public Finance Management Act, 2012 and the State Corporations Act, require the Directors to prepare financial statements in respect of that *Imetha water and sanitation company*, which give a true and fair view of the state of affairs of the *Imetha water and sanitation company* at the end of the financial year/period and the operating results of the *Imetha water and sanitation company* for that year/period. The Directors are also required to ensure that the *Imetha water and sanitation company* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Imetha water and sanitation company*. The Directors are also responsible for safeguarding the assets of the *Imetha water and sanitation company*.

The Directors are responsible for the preparation and presentation of the *Imetha water and sanitation company's* financial statements, which give a true and fair view of the state of affairs of the *Imetha water and sanitation company* for and as at the end of the financial year (period) ended on June 30, 2021. 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 *Imetha water and sanitation company*; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *Imetha water and sanitation company*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *Imetha water and sanitation company's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act 2012 and the State Corporations Act.

The Directors are of the opinion that the *Imetha water and sanitation company's* financial statements give a true and fair view of the state of *Imetha water and sanitation company's* transactions during the financial year ended June 30, 2022, and of the *Imetha water and Sanitation Company's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *Imetha*

water and Sanitation Company, which have been relied upon in the preparation of the *Imetha water and sanitation company's* financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the *Imetha water and sanitation company* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The *Imetha water and sanitation company's* financial statements were approved by the Board on **27th September, 2023** and signed on its behalf by:



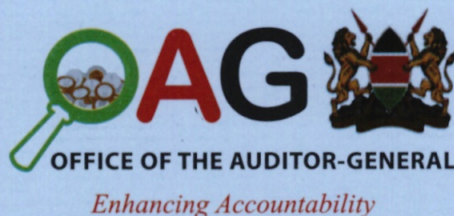
Dr. Mworia Mugambi
Chairman Board of Directors



Patrick Mugendi
A.G Chief Executive Officer

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON IMETHA WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Imetha Water and Sanitation Company Limited for the year ended 30 June, 2023 set out on pages 1 to 72, which comprise of the statement of financial position as at 30 June, 2023 and 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 Imetha Water and Sanitation Company Limited as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012, the Companies Act, 2015, and the Water Act, 2016.

Basis for Qualified Opinion

1. Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects a loss of Kshs.6,757,792 (2022:Kshs.5,680,832). Further, the current liabilities of Kshs.52,294,779 exceeded the current assets of Kshs.51,640,286, resulting to a negative working capital of Kshs.654,483. 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.

The financial statements, however, were prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government of Meru and its creditors. Management did not disclose in the financial statements the material uncertainty related to going concern or measures taken to mitigate this. Further, the trade and other payables balance increased by Kshs.5,787,323 from Kshs.32,578,106 in previous year to Kshs.38,365,429 in the year under review, an indication of the Company's inability to settle financial obligations as and when they fall due.

In the circumstances, the going concern of the Company could not be confirmed.

2. Unconfirmed Customer Deposits

The statement of financial position reflects refundable deposits and prepayments balance of Kshs.13,929,350 and as disclosed in Note 43 to the financial statements. However, the Company spent Kshs.6,000,000 out of the customer deposits to purchase a motor vehicle as reported in the previous year. No evidence has been provided to show that the Company has reimbursed the utilized amount as required.

In the circumstances, the accuracy, completeness and security of customer deposits balance of Kshs.13,929,350 could not be confirmed.

3. Inaccuracies in the Inventory

The statement of financial position and as disclosed in Note 28 to the financial statements reflects inventory of Kshs.900,476 relating to stationery and general stores. However, the Company did not value, present and disclose the amount of water held in the treatment plants, reservoirs and distribution systems at the end of year in accordance with International Accounting Standard on Inventories (IAS) 2.

In the circumstances, the accuracy and completeness of inventory of Kshs. 900,476 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects an approved budget and actual revenue on comparable basis of Kshs.70,585,235 and Kshs.62,326,099 respectively, resulting to revenue under-collection of Kshs.8,259,135 or 12% of the budget. Similarly, the approved expenditure budget and actual of Kshs.70,585,235 and Kshs.63,840,433 resulting in an over expenditure of Kshs.6,744,802 or 10% of the budget.

The under-collection of revenue and under-expenditure affected the planned activities of the Company and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing

else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Audit Fees

The statement of financial position and as disclosed in Note 42 to the financial statements reflects trade and other payables of Kshs.38,365,429 which includes audit fees payable to the Auditor-General relating to accumulated audit fees since the 2013/2014 financial year of Kshs.1,658,000 less provision of Kshs.232,000 for the year under review. As reported in the previous year, the Kshs.1,658,000 audit fees should have been paid to the Office of the Auditor-General in accordance with Section 41(1)(c) of the Public Audit Act, 2015 which states that the funds of the office of the Auditor-General shall consist of audit fees charged at the rates prescribed by the Auditor-General.

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

2. Un-Supported Salary Structure

During the year under review, the Board and Management of Imetha Water and Sanitation Company processed salaries and wages for its staff amounting to Kshs.22,457,307 through its own salary scale adopted by the Board that outlined salaries for different job groups and annual increments. However, Management did not provide approval and authorization from the Salaries and Remuneration Commission for the implemented salary scales. Furthermore, board minutes for adopting and approving the salary scales were not provided for audit.

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

3. Staff Acting Beyond Six Months

Review of payroll data revealed that two officers have been in acting capacity for more than six months. Review of their personal files further revealed that the Scheme Manager has been in acting capacity since December, 2022 while the procurement officer has been acting since February, 2022. This was contrary to the provisions of Human Resource Policies and Procedures Manual for the Public Service, May, 2016 that limit the duration of acting appointments to only six (6) months.

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

4. Unmetered Billing

Note 6 to the financial statements reflects operating revenue of Kshs.47,955,794 which includes water sales amount of Kshs.42,452,157 which further includes Kshs.12,198,730 relating to unmetered water whereby the water consumers only paid a standing monthly fee not based on the amount of water utilized. This was contrary to Regulation 43(2) of the Part III of Model Water Service Regulations, 2002 which states that, the water service provider shall ensure that all connections shall be metered within one year and shall

provide a report to the Water Service Board and the regulator on the progress with the provisions of this regulation charge.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for 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 overall governance were not effective.

Basis for Conclusion

1. Use of Expired Tariffs

Note 6 of the financial statements reflects operating revenue of Kshs.47,955,794. The income was based on a water tariff for Imetha Water and Sanitation Company Limited that was not approved since the previous tariff expired in the year 2017. This has contributed to the deficit in the statement of profit or loss and other comprehensive income.

In the circumstances, the effectiveness of controls on tariffs could not be confirmed.

2. Long Outstanding Receivables

Note 29 to the financial statement reflects trade and other receivables of Kshs.40,021,881 which includes balance of Kshs.664,668 relating to staff debts which have remained un surrendered. The staff debts were issued between years 2012 and 2016 and have remained outstanding for over ten (10) years now and no evidence was provided to confirm any efforts to recover the staff debts. This was contrary to Regulation 95 (5-7) of the Public Finance Management (County Governments) Regulations, 2015. Further, the ageing analysis to the debtors was not provided for audit.

In the circumstances, the effectiveness of controls on recoverability of receivables could not be confirmed.

3. High Non-Revenue Water

Review of records revealed that the Company produced 1,191,744 cubic meters (M³) of water out of which 722,768 cubic meters was billed to consumers while the remaining balance of 468,977 cubic meters with approximate value of Kshs.23,448,850 at the rate of Kshs.50 per cubic meter, equivalent to 39% was lost water. This is water that was produced but not translated to sales. This volume exceeds the set maximum allowable water loss of 25% as per the WASREB Impact Performance Report No.13/2021.

In the circumstances, the high level of non-revenue water is unacceptable.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

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

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015. In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are

in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

22 March, 2024

Report of the Auditor-General on Imetha Water and Sanitation Company Limited for the year ended 30 June, 2023

Amelia Water and Sanitation Company.
Annual Reports and Financial Statements
For the year ended June 30, 2023

14. Statements of Profit or Loss and other Comprehensive Income for the year ended 30 June 2023

Revenue				
Operating Revenue	6		47,955,794	45,619,283
Grant Income	7a		3,476,981	8,487,751
Other Incomes	8		92,000	-
Finance Income	9		-	199,935
Other Gains/(losses)	10		-	-
Total Revenue			51,524,775	54,306,969
Expenses				
Staff Costs	11		24,215,415	20,446,640
General and Operations Expenses	12		17,997,287	19,310,180
Board Expenses	13		344,200	1,029,400
Maintenance Expenses	14		10,546,910	12,977,765
Depreciation and Amortisation Expenses	15		5,178,754	6,223,815
Finance Cost	16		-	-
Total Expenses			58,282,567	59,987,801
Profit/(loss) Before Taxation			(6,757,792)	(5,680,832)
Income Tax Expense/(Credit)			-	-
Profit/(loss) After Taxation			(6,757,792)	(5,680,832)
Earnings per share-Basic and Diluted				
Divided per share				
Other comprehensive income				
Profit/(loss) After Taxation			(6,757,792)	(5,680,832)
Surplus or Defecit on Revaluation of PPE				
Remeasurement of Net Defined Benefit Liability				
Fair value Gain/(Loss) on investmnet in Equity Instrument Designated As At FVTOCI(Fair Value Through Other Comprehensive Income)				
Total Comprehensive Income for the Year			(6,757,792.14)	(5,680,832)

Imetha water and sanitation company.
Annual Reports and Financial Statements
For the year ended June 30, 2023

15. Statement of Financial Position As at 30 June 2023

15. Statement of Financial Position As at 30 June 2023			
ASSETS			
Non-current Assets			
Property plant and equipment	20	36,755,179	31,197,312
Intangible Assets	21		-
Investment Property	22		
Right of use Assets	23		
Biological Assets	24		
Fixed Interest Investments	25		
Quoted investments	26		
Unquoted Investments	27		
Total Non current assets		36,755,179	31,197,312
Current Assets			
Inventory	28	900,476	1,429,398
Trade and other Receivables	29	40,021,881	39,323,990
Tax recoverable	30	-	-
Short term Deposits	31	-	-
Bank and cash Balances	32	10,717,929	8,047,592
Total Non-Current Assets		51,640,286	48,800,980
Total Assets		88,395,465	79,998,292
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary Share Capital	33	-	-
Fair Value Adjustment Reserve	34	-	-
Revaluation Reserve	35	-	-
Capital/Development Fund		-	-
Retained Earnings	36a)	16,306,853	23,128,883

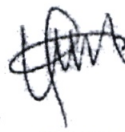
Annual Reports and Financial Statements
For the year ended June 30, 2023

Provisions	40	-	-
Retireemnets Benefits	41	-	-
Total Non-current liabilities		-	-
Current Liabilities			
Borrowings	38	-	-
Lease Liability	39	-	-
Provisions	40	-	-
Retirements Benefits Obligations	41	-	-
Trade and other Payables	42	38,365,429	32,578,106
Refundable Deposists and Prepayments	43	13,929,350	13,569,350
Differed Income	44	-	-
Dividends Payable	45	-	-
Taxation	46	-	-
Total Current Liabilities		52,294,779	46,147,456
TOTAL EQUITY AND LIABILITIES		88,395,465	79,998,292

The financial statements were approved by the board on 27TH SEPTEMBER 2023 and signed on behalf



Patrick Mugendi
Ag Chief Executive Officer



winfred Mukiri
Head of Finance
ICPAK M/NO17874



Dr Mworia Mugambi
Chairman Board of Directors

Imetha water and sanitation company.
Annual Reports and Financial Statements
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16 Statement of changes in Equity for The Year Ended 30 June 2023

	Notes	Ordinary Share Capital	Revaluation Reserve	Fair Value Adjustment Reserve	Retained Earnings	Capital Reserves	Proposed Dividend	Reserves	Total
						KSHS			
	0	-	-	-	-	0	0	0	0
As at 1st July 2021		-	-	-	28,809,715	12,821,793	-	-	41,631,508
New Capital Issued		-	-	-	-	-	-	-	-
Revaluation Gain		-	-	-	-	-	-	-	-
Transfer of Execcess depreciation		-	-	-	-	-	-	-	-
Fair Value Adjustment on quoted Investmnets		-	-	-	-	-	-	-	-
profit for the year		-	-	-	(5,680,832)	-	-	-	(5,680,832)
Capital Development received during the year		-	-	-	-	-	-	-	-
Transfer of depreciation amortisation from capital fund to retained earnings		-	-	-	-	-	-	-	-
Dividends paid -prior year		-	-	-	-	-	-	-	-
Interim dividends paid-curent year		-	-	-	-	-	-	-	-
proposed final dividends		-	-	-	-	-	-	-	-
Armotisation of Capital Grant		-	-	-	-	(2,099,840)	-	-	(2,099,840)
Suplus/Deficit for the year		-	-	-	-	-	-	-	-
As at 30th June 2022		-	-	-	23,128,883	10,721,953	-	-	33,850,836

Imetha water and sanitation company.
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As at 1st July 2022					23,128,883	10,721,953	-	-	33,850,836
Issue of new share capital					-	-	-	-	-
revaluation gain					-	-	-	-	-
Transfer of excess depreacitaion on revaluation					-	-	-	-	-
defferred tax on excess depreciation					-	-	-	-	-
Fair value adjustmnet on quoted investments					-	-	-	-	-
profit for the year		-	-	-	(6,757,792)	-	-	-	(6,757,792)
Capital/development grants recived during the year		-	-	-	-	10,801,325	-	-	10,801,325
		-	-	-	-	-	-	-	-
Dividends paid-prior year		-	-	-	-	-	-	-	-
Interim dividends paid current year		-	-	-	-	-	-	-	-
proposed final divideds		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
Armotisation of Capital Grant		-	-	-	-	(1,729,445)	-	-	(1,729,445)
Capital Grant		-	-	-	-	-	-	-	-
Refund - WSTF		-	-	-	(64,239)	-	-	-	(64,239)
		-	-	-	0	-	-	-	-
Suplus/Deficit for the year		-	-	-	0	-	-	-	-
AS at 30 June 2023		-	-	-	16,306,852	19,793,833	-	-	36,100,685

Imetha water and sanitation company.
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17.Statement of Cash Flows for The Year Ended 30 June 2023

		2022-2023	2021-2022
		KShs	KShs
Cash flow from operating activities			
Operating Receipts	6	47,955,794	45,619,283
Grant income	7b	1,747,536	6,387,911
finance income	9	-	199,935
other income	8	92,000	-
Customer Deposits	43	360,000	337,500
Increase of Creditors	42	5,787,323	5,202,333
Decrease from Inventory	28	528,922	630,889
		56,471,575	58,377,851
Payments			
Staff costs	11	24,215,415	20,446,640
General and Operation expenses	12	17,997,287	19,310,180
Board Expenses	13	344,200	1,029,400
Maintance expenses	14	10,546,910	12,977,765
Finance costs	16	-	-
Refund to customers deposists	43	-	-
Increase in Debtors	29	697,891	1,674,081
		53,801,703	55,438,067
Total Payments		2,669,872	2,939,784
Net cash flow from operating Activities			
Cash Flow from investing Activities			
Purchase of Plant Property and Equipments(PPE)	14	(10,736,621)	(2,147,584)
Proceeds from disposal of PPE		-	-
Purchase of intagible assets		-	-
Purchase of investment property		-	-
Purchase of quoted investments		-	-
Proceeds from disposal of Quoted Investments		-	-
Net cash used in investing activities		(10,736,621)	(2,147,584)
Net cash flow before financing Activities		(8,066,749)	792,201
Cash flow from financing activities			
procceeds from issue of New share Capital			
Proceeds from Borrowings			
Repayments of Borrowings			
Dividends paid			
Grant income from WSTF	36b	10,801,325	-
Refund of Grant income to WSTF	36a	(64,239)	-
Net cash flow from financing activities		10,737,086	-
Increase in cash and cash Equivalents		2,670,337	792,201
Cash and cash equivalents as at 1st July 2022	32	8,047,592	7,255,392
Effects of Foreign exchange Rtae fluctions			
Cash and cash equivalents as at 30th June 2023	32	10,717,929	8,047,592

Imetha water and sanitation company.
Annual Reports and Financial Statements
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18.Statement of Comparison of Budget and Actual Amount for the Year Ended 30 June 2023

	Original Budget	Adjustments	Final Budget	Actual	Percentage of Budget	Variance
	Kshs	Supplimentary	Kshs	Actual	Kshs	
Revenue						
Operating Revenue	52,687,080	3,527,849	56,214,929	47,955,794	8,259,135	85%
Non Operating revenue		1,729,445	1,729,445	1,729,445	-	100%
Grants	849,744	11,699,117	12,548,861	12,548,861	-	100%
Other income		92,000	92,000	92,000	-	100%
Other Gains	-		-		-	
Total Revenue						
Total income	53,536,824	17,048,411	70,585,235	62,326,099	8,259,135	88%
EXPENSES						
Staff costs	24,005,504		24,005,504	24,215,415	(209,911)	101%
Board Expenses	731,000		731,000	344,200	386,800	47%
General and Operations Expenses	20,018,119	6,247,086	26,265,205	17,997,287	8,267,918	69%
Maintanance	8,083,201		8,083,201	10,546,910	(2,463,709)	130%
Finance Costs	-				-	
Total Recurrent Expenditure	52,837,824	6,247,086	59,084,910	53,103,812	5,981,098	90%
Profit OR loss				(6,757,792)		
Capital Expenditure	699,000	10,801,325	11,500,325	10,736,621	763,704	93%
Total Expenditure	53,536,824	17,048,411	70,585,235	63,840,433	6,744,802	

Budget Notes

Operating Revenue

*There was an addition of the budgeted operating revenue by kshs 3,527,849 however the target was not realised. This was majorly attributed to prolonged dry spell hence low billing.
The company received some Grants from the water Sector Trust Fund to implement a project in Mitunguu*

2. Expenses

a) General and operation expenses

There was effort by the management to reduce on the spending due to financial constraints

*b) Board meeting
expenses were reduced due to fewer board meetings.*

c) Maintenance expenses

frequency breakdown of the pipe network occasion more spending by the management

19. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The *Imetha water and sanitation company* ltd was incorporated by the companies Act (cap 486) Act of the laws of Kenya on 31st March 2006. At cabinet level, the *Imetha water and sanitation company* ltd is represented by the Cabinet Secretary for Ministry of Irrigation, Water and Natural resources, who is responsible for the general policy and strategic direction of the *Imetha water and sanitation company*.

The constitution of Kenya 2010 under the fourth schedule placed water and sanitation services to the county governments. Consequently, the transition authority vide gazette notice no 154 of the 9th august 2013, transferred water service provision including water and sanitation and sewerage companies to the county government of Meru. For Kenyan companies act reporting purposes, the balance sheet is represented by 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 *Imetha water and sanitation company's* accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Imetha water and sanitation company*. 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.

Notes to the financial statements (continued)

3. Application Of New and Revised International Financial Reporting Standards (IFRS)
i. New and amendments standards and interpretations in issue effective in the year ended 30 June 2023

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.	Effective for annual periods beginning on or after 1 st January 2023
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates	The amendments effective for annual reporting periods beginning on or after January 1, 2023
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments effective for annual periods beginning on or after January 1, 2023
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments effective for annual periods beginning on or after January 1, 2023

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

Notes to the financial statements (continued)

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

- i. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Amendment/Interpretation to a standard	Effective date	Impact: The standard has no impact on the financial statements of Imetha Water and Sanitation Company.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted

(The Directors 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** Metha water and sanitation company did not -adopt any new or amended standards in the year 2022

Notes of the financial statements (continued)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to *Imetha water and Sanitation Company* 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 *Imetha water and sanitation company's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the *Imetha water and sanitation company's* activities as described below.

- i. **Revenue from the sale of water services** is recognised in the year in which the *Imetha water and sanitation company* delivers service to the customer, the customer has accepted the bill and collectability of the related receivables is reasonably assured.
- ii. **Grants from National Government or County Government** are recognised in the year in which the *Imetha water and sanitation company* actually receives such grants.
- iii. **Finance income** comprises interest receivable from bank deposits is recognised 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 recognised in the income statements in the year in which the right to receive the payment is established.
- vi. **Other income** is recognised as it accrues.

b) In-kind contributions

In-kind contributions are donations that are made to the *Imetha water and sanitation company* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *Imetha water and sanitation company* includes such value in the statement of

comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) Property, plant and equipment

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

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses.

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.

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 building and other civil works and installations.

All non-current assets are valued at historical cost and after subsequent adjustment with their respective depreciation.

Subsequent costs are included in asset carrying amount or recognized as a separate asset, as appropriate. All other repairs and maintenance are charged to the income and expenditure account during the financial period in which they occurred. No asset revaluation has been carried in the year under review. Value of water treatment plant freehold land and property is under valuation and report will be submitted when all procedures and formalities are completed and subsequently be incorporated in the financial statement

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.

Meters	12%
Pipes and fittings	20%
Furniture and Equipment	12.5%
Motor Vehicles & cycles	25%
Computer and accessories	30%
W.T.P Equipment	12.5%
Loose Tools	33.33%

A full year's depreciation charge is recognised both in the year of asset purchase and none in the year of asset disposal.

e) 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.

f) Amortisation and impairment of tangible assets

Amortisation is calculated on the reducing balance method pro-rata to time over the estimated useful life of the asset at the following rates:

Meters	12%
Pipes and fittings	20%
Furniture and Equipment	12.5%
Motor Vehicles & cycles	25%
Computer and accessories	30%
W.T.P Equipment	12.5%
Loose Tools	33.33%

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.

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.

Notes to the financial statements (continued)

Summary of Accounting policies

h) Rights 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) Fixed interest investment (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).*

j) 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

Notes to the financial statements (continued)

Summary of Accounting policies

k) 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).

l) 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.

m) 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.

Notes to the financial statements (continued)

Summary of Accounting policies

n) Taxation

i) Current 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.

o) 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.

Notes to the financial statements (continued)

Summary of Accounting policy

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.

p) 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.

Notes to the financial statements (continued)

Summary of Accounting policies

q) 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.

r) 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.

s) 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.

Notes to the financial statements (continued)

Summary of Accounting policies

t) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2017. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1080 per employee per month.

u) Provision for staff leave pay

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

v) 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.

Notes to the financial statements (continued)

Summary of Accounting policies

w) Budget information

The original budget for FY 2022-2023 was approved by the Board of Directors on 17th June 2022. 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 xxx on the 20xx-20xx budget following the governing body's approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. 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 j of these financial statements.

Notes to the financial statements (continued)

Summary of Accounting policies

x) 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

y) comparative figures

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

z) 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, 2023

5 significant judgment 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.

Notes to the financial statements (continued)

Summary of Accounting policies

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) provision

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

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.

The provision for bad debts is estimated at 10% of the total trade payables, provisions for gratuity is 31% of employees' basic salary. The amount payable to WASREB is provided at 4% of the total billing in Kenya shillings and the amount payable to WRA is provided at 50cents per m3 abstracted.

Notes to the financial statements(continued)

6.Operating Revenue

	2022-2023	2021-2022
	kshs	kshs
Water Sales	42,452,157	41,922,173
sewerage services	2,935,158	1,822,699
Billing for other services	2,568,479	1,874,410
Total	47,955,794	45,619,283

Billing for other services refers to income generated from services such as reconnection fees, and labour charges

7b). Grant income

	2022-2023	2021-2022
	kshs	kshs
Operational grants from Government Entities	849,744	928,713
Recurrent/Operational grants from other agencies	897,792	5,459,198
Capital grants Amortised	1,729,445	2,099,840
Donations from county Government		
Inkind contributions/donations from other Agencies		
TOTAL	3,476,981	8,487,751

7 b)Grants Income	2022-2023	2021-2022
	kshs	kshs
Operational grants from Government Entities	849,744	928,713
Recurrent/Operational grants from other agencies	897,792	5,459,198
Donations from county Government		
Inkind contributions/donations from other Agencies		
TOTAL	1,747,536	6,387,911

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

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Name of the Entity	Budgeted Income KSh	Actual Income KSh	Actual Capital KSh	Total Income KSh	2022-2023 KSh
County Government of Meru	849,744	0	0	849,744	
Water sector Trust Fund	897,792	10,801,325	10,801,325	11,699,117	
Total	1,747,536	10,801,325	10,801,325	12,548,861	

Notes to the financial statements (continued)

8. Other Income

	2022-2023	2021-2022
	(K.Rs)	(K.Rs)
Sale of tender	-	-
finer and penalties	-	-
Rental Income	-	-
Insurance Compensation	-	-
Miscellaneous income(Refund of defrauded money and cash)	92,000	-
Total	92,000	-

9 Finance Income

	2022-2023	2021-2022
	(K.Rs)	(K.Rs)
Interest income from treasury bonds	-	-
Interest income from treasury bills	-	-
Interest from from receivables	-	-
Interest fom Commercial banks and financial institutions	-	199,935
Interest on staff loans	-	-
Dividends	-	-
TOTAL	-	199,935

No finance income during the period

10. Other Gains and Losses

	2022/2023	2021/2022
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/loss on Revaluation of investment property	-	-
Revaluation losses on inventory	-	-
Unrealised foreign exchange gains /(losses)	-	-
Total	-	-

11. Staff Costs

Gross salary and Allowances	20,514,019	17,521,100
Casual Workers wages	1,403,145	929,116
Medical insurance scheme	-	
Employers contribution to social security scheme	299,800	141,200
Employers contribution to pension scheme	465,802	441,812
Provisions for leave pay	-	-
Gratuity provisions	468,405	310,299
fringe benefit tax	-	
staff welfare	214,500	174,400
Other Allowances -Salary for the county staff	849,744	928,713
Totals	24,215,415	20,446,640
The average number of employees during the year	84	86

Imetha water and sanitation company.
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12 General and Operations expenses

chemicals	1,195,322	1,069,911
Electricity	522,948	470,911
Fuel,Oil,Lubricants and Gases	2,073,007	1,923,617
Builk water costs	-	-
Office Supplies	298,344	99,699
Uniform and protective clothing	488,688	272,900
Telecommunication	358,030	405,538
Postage and courier	-	-
Water and sewerage	13,600	22,800
Insuarance	320,765	270,216
Rent and rates	96,000	132,250
Hire of equipments and vehicles	-	-
Claims and compensations	-	-
Domestic Travelling and Subsistence	2,238,768	3,319,334
Foreign Travell and accomodation	-	-
Staff Training and development	615,030	809,325
Bank Charges	51,408	42,943
Security services	348,000	348,000
Agency commissions	-	-
Publicity and Advertising	149,344	149,112
Audit fees	232,000	232,000
legal fees	280,100	-
Consultancy fees	-	785,000
Licensing and levies	4,503,031	5,188,070
Sports and recreation	-	-
stakeholders expenses	-	-
Donations /CSR	-	-
Hospitality expenses	423,513	381,792
Research and development	-	-
Conservation expenses	-	-
Provision for Doutful Debts	137,702	185,853
oficce stationery	325,948	342,805
computer Repairs	108,600	67,295
Meetings and conferences	1,723,743	2,203,845
Newspapers and periodicals	28,020	29,100
wstf expenses	1,064,625	80,000
web cost	180,000	180,000
Billing SMS	215,000	208,714
COVID expenses	5,750	89,150
	17,997,287	19,310,180

Notes to the financial statements (Continued)

13. Board Expenses.

Description	2022-2023 KShs.	2021-2022 KShs.
Chairman Honoraria	240,000	240,000
Sitting Allowances	32,000	184,000
Medical insurance	-	-
Induction and Training	72,200	605,400
Travel and accommodation		
Other allowances		
Total Board Expenses	344,200	1,029,400

14. Maintenance Expenses

Description	2022-2023 KShs.	2021-2022 KShs.
Plant and equipment	-	-
Buildings	-	65,700
Infrastructure networks	8,991,552	11,680,756
Grounds	-	-
Motor vehicles	824,090	447,086
Software	300,000	300,000
ICT (Information Communication Technology)	431,268	484,223
Furniture	-	-
Water meter maintenance costs	-	-
Maintenance of Access roads	-	-
Total Maintenance Expenses	10,546,910	12,977,765

The company did not incur any tax expenses since no profit was recorded during the year

15. Depreciation and Amortization Expenses

	2022	2023
Property plant and Equipmnet	5,178,754	6,223,815
Right of use Assets	-	-
Intagible Asset	-	-
Investment property carried at cost	-	-
Total Depreciation and Amortization	5,178,754	6,223,815

16. Finance Costs

	2022	2023
Interest expenses on loans	-	-
Interest expense on Bank Overdraft	-	-
Interest on lease Liabilities	-	-
Other (Specify)	-	-
Total	-	-

17. Income tax expense

	2022	2023
Current Taxation based on 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	-	-
Totals	-	-

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

Profit before taxation	(6,757,792)	(5,680,832)
Tax at the applicable tax rate of 30%	-	-
Current tax	-	-
Prior Year under-provision	-	-
Tax effects of expenses not deductible for tax purpose	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/a	-	-
Deferred tax prior year over-provision	-	-
Total	(6,757,792)	(5,680,832)

Notes to the financial statements (continued)

18. Earnings per share

The company is incorporated as a legal entity under the company's act of 486 law of Kenya as a public limited company by guarantee with no shared holding. but with stakeholders. Any profits made are ploughed back to finance the extension of services in the underserved areas hence no earning per share.

19. Dividends per share

The company has not declared dividends for the year ended 30th June 2023 due to its incorporation as a legal company under the company's ACT cap 486 law of Kenya as a public limited company guaranteed by the government of Kenya with no shareholding but with stakeholders. any profits made are ploughed back to finance the extension of services in the underserved

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NOTES TO THE FINANCIAL STATEMENTS
20.property, Plant and Equipment

COST	FREEHOLD LAND	PIPE AND FITTINGS	WATER REATMENT PLANT	METERS KSH	MOTOR VEHICLES AND MOTOR CYCLES	FURNITURE & EQUIPMENT	COMPUTERS & ELECTRONICS	LOOSE TOOLS	CAPITAL WORK IN PROGRESS	TOTAL
	KSH	KSH	KSH	KSH	KSH	KSH	KSH	KSH		KSH
As at 1/7/22	290,000	29,887,675	12,903,241	20,237,756	13,362,641	1,112,030	3,092,459	17,127	-	80,902,928
Additions				198,720	259,000		115,200		10,163,701	10,736,621
Transfer										-
Disposal										-
As at 30/6/23	290,000	29,887,675	12,903,241	20,436,476	13,621,641	1,112,030	3,207,659	17,127	10,163,701	91,639,549
DEPRECIATION										
As at 1/7/22		20,932,612	2,213,088	13,614,272	9,839,724	643,700	2,445,644	16,576		49,705,616
Charge for the year		1,791,013	1,336,269	818,664	945,479	58,541	228,605	183		5,178,754
Disposal										-
As 30/6/23		22,723,625	3,549,357	14,432,936	10,785,203	702,241	2,674,249	16,759		54,884,370
NET BOOK VALUE										
AS at 30/6/23	290,000	7,164,050	9,353,884	6,003,539	2,836,438	409,789	533,411	368	10,163,701	36,755,179
As at 30/6/22	290,000	8,955,063	10,690,153	7,471,485	3,522,917	468,330	646,815	551		31,197,312

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20. Property, Plant and Equipment

COST	FREEHOLD LAND	PIPE AND FITINGS	WATER REATMENT PLANT	METERS KSH	MOTOR VEHICLES AND MOTOR CYCLES	FURNITURE & EQUIPMENT	COMPUTERS & ELECTRONICS	LOOSE TOOLS	CAPITAL WORK IN PROGRESS	TOTAL
	KSH	KSH	KSH	KSH	KSH	KSH	KSH	KSH		KSH
As at 1/7/21	290,000	29,887,675	3,177,635	20,182,556	12,214,021	855,530	2,979,359	17,127	9,151,442	78,755,345
Additions			574,164	55,200	1,148,620	256,500	113,100			2,147,584
Transfer			9,151,442						(9,151,442)	-
Disposal								17,127		80,902,928
As at 30/6/22	290,000	29,887,675	12,903,241	20,237,756	13,362,641	1,112,030	3,092,459			
DEPRECIATION										43,481,801
As at 1/7/21		18,693,846	2,052,330	12,711,070	7,251,086	576,796	2,180,373	16,300		6,223,815
Charge for the year		2,238,766	160,758	903,202	2,588,638	66,904	265,271	276		-
Disposal										49,705,616
As 30/6/22		20,932,612	2,213,088	13,614,272	9,839,724	643,700	2,445,644	16,576		
NET BOOK VALUE										31,197,312
AS at 30/6/22	290,000	8,955,063	10,690,153	6,623,483	3,522,917	468,330	646,815	551		35,273,544
As at 30/6/21	290,000	11,193,829	1,125,305	7,471,485	4,962,935	278,734	798,986	827		

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Valuation

The motor vehicles were valued by the Automobiles Association of Kenya on market value basis.

20(b) property, Plant and Equipment at costs

If the freehold land, and other assets were stated on historical cost basis the amount

Description	Cost	Accumulated Depreciation	Net Value
	Kshs.	Kshs.	Kshs.
Land	290,000	-	290,000
Buildings	-	-	-
Plant and Machinery	12,903,241	3,549,357	9,353,884
Motor Vehicles, including motorcycles	13,621,641	10,785,203	2,836,438
computers and related Equipment	3,207,659	2,674,249	533,411
Office equipment, furniture and fittings	1,112,030	702,241	409,789
water meters	20,436,476	14,432,936	6,003,539
pipe and fittings	29,887,675	22,723,625	7,164,050
loose tools	17,127	16,759	368
work in progress	10,163,701	-	10,163,701
Totals	91,639,549	54,884,370	36,755,179

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

Description	Cost	Accumulated depreciation
Plant and machinery	-	-
Motor vehicles including motorcycles	-	-
Computers and related equipment	-	-
Office equipment, furniture and fittings	-	-
Total	-	-

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21.intangible Assets

Cost		
At July 1st	4,000,000	4,000,000
Additions	-	-
Disposals	-	-
At June 30th	4,000,000	4,000,000
Amortization		
At July 1st	-	-
Charge for the year		-

22. Investment property

Opening Valuation	-	-
Movements During the year	-	-
Additions	-	-
Disposals	-	-
Fair Value Gains/(losses)	-	-
Closing Valuation	-	-
Depreciation (if at Cost)		
As July 1 2022	-	-
Charge for the year	-	-
Disposal	-	-
Impairment loss	-	-
At June 30 2023	-	-
Net book Value	-	-

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23. Rights of use Assets

	2022-2023	2021-2022	2020-2021	Total
	KShs	KShs	KShs	KShs
Cost	-	-	-	-
As at 1 July 2021	-	-	-	-
Additions	-	-	-	-
As at 30 June 2022	-	-	-	-
Additions	-	-	-	-
As at 30 June 2023	-	-	-	-
Accumalated Depreciation	-	-	-	-
As at 1 July 2021	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2022	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2023	-	-	-	-
Carryng Amount	-	-	-	-
As at 30 June 2022	-	-	-	-
As at June 2023	-	-	-	-

24. Biological Assets

	2022-2023	2021-2022
	KShs	KShs
Cattle	-	-
Trees	-	-
Others specify	-	-

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25. Fixed interest Investments (Bonds)

	2022-2023	2021-2022
	KShs	KShs
Cental Bank of kenya 12.5% 15-year bond	-	-
AB Corporate Bond	-	-
CD Coporate BOND	-	-
Total	-	-

The movement in Investment during the year is as follows

	2022-2023	2021-2022
Details	KShs	KShs
Balance as at 1 july 2022		
Additions during the year		
Interest accrued during the year		
investment maturities during tehyear		
Balance at 30 the june 2023		

26. Quoted Investments

	2022-2023	2021-2022
Details	KShs	KShs
Opening valuation	-	-
Movements during the year	-	-
Additions	(-)	(-)
Disposals	-	-
Fair value gains/(Losses)	-	-
Closing valuation	-	-

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Description of the investment	Shareholding			Total	Fair value of share	
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Prior year
	No	No	No	Shs	Shs	Shs
N/A	-	-	-	-	-	-
N/A	-	-	-	-	-	-
N/A	-	-	-	-	-	-
	-	-	-	-	-	-

27. Unquoted Investments

	2022-2023	2021-2022
	Kshs	Kshs
Cost		
At July 1	-	-
Additions	-	-
Fair value gains/(losses)	-	-
Disposals	-	-
At June 30	-	-
Impairment		
At July 1	-	-
Disposals	-	-
Impairment loss in the year	-	-
At June 30	-	-
Net book value	-	-

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Notes to the financial statements (continued)

	No	No	No	Shs	Shs	Shs
N/A	-	-	-	-	-	-
N/A	-	-	-	-	-	-
N/A	-	-	-	-	-	-
N/A	-	-	-	-	-	-
	-	-	-	-	-	-

28. Inventories

	2022-2023	2021-2022
	(KSh)	(KSh)
General stores	1,360	5,500
Chemicals & Laboratory items	315,172	208,974
Water fittings and Accessories	382,066	662,651
Water meters	114,080	312,800
Uniform and protective clothing	7,600	18,600
Fuel, oil and lubricants	-	38,988
Motor vehicle spare parts	900	-
Goods in transit	-	-
Stationery and general stores	67,275	122,815
Finished goods	-	-
Work in progress	-	-
Less: Impairment of stocks	-	-
hospitality items	1,223	5,070
Computer and Accessories	10,800	54,000
Total	900,476	1,429,398

The value of stock does not include the stock of water held in the treatment works and reservoirs and the distribution systems due to the technicalities involved in the measurements of the water.

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28 a) Reconciliation of impairment Allowances for inventories

	2022-2023	2021-2022
	R\$'000	R\$'000
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	-	-

29. Trade and other receivables

	2022-2023	2021-2022
	R\$'000	R\$'000
Trade receivables (note (29a))	39,280,056	38,040,738
Deposits and prepayments	77,157	53,160
VAT (Value Added Tax) recoverable	-	-
Staff receivables (note 29 (c))	664,668	664,668
Other receivables	-	565,424
Gross trade and other receivables	-	-
Provision for bad and doubtful receivable	-	-
Net trade and other receivables	40,021,881	39,323,990

2929.(a) Trade Receivables

	2022-2023	2021-2022
	R\$'000	R\$'000
Gross trade receivables	43,644,507.00	42,267,487
Provision for doubtful receivables	(4,364,451.00)	(4,226,749)
Net trade receivables	39,280,056.00	38,040,738
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	3,926,657	4,674,681
Between 30 and 60 days	1,898,168	1,612,944
Between 61 and 90 days	1,293,396	1,314,679
Between 91 and 120 days	1,133,853	970,054
Over 120 days	35,392,433	33,695,128
Total	43,644,507	42,267,487

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29(b) Reconciliation of impairment allowances for trade receivables

Description	2022-2023	2021-2022
	RSR	RSR
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	-	-

29.(c) staff Receivables

Description	2022-2023	2021-2022
	RSR	RSR
Gross staff loans and advances	664,668	664,668
Provision for impairment loss	-	-
Net staff loans	-	-
Less: Amounts due within one year	-	-
Amounts due after one year	664,668	664,668

29(d) Reconciliation of Impairment Allowance for staff Receivables

Description	2022-2023	2021-2022
	RSR	RSR
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	-	-

30. Tax recoverable

Description	2022-2023	2021-2022
	RSR	RSR
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	-	-

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31. short Term Deposits

31. Short Term Deposits		
	2022-2023	2021-2022
	KShs.	KShs.
Commercial banks	-	-
Cooperative Bank of Kenya	-	-
Kenya Commercial Bank	-	-
Barclays Bank of Kenya	-	-
Equity bank	-	-
Capital Sacco	-	-
Totals	-	-

32. Bank and cash balances

32. Bank and Cash Balances		
	2022-2023	2021-2022
	KShs.	KShs.
Cash at bank	10,714,144	8,041,154
Cash in hand	3,785	6,439
Mobile money account	-	-
Totals	10,717,929	8,047,593

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Notes to the financial statements (continued)

Detailed analysis of cash and cash equivalents

		2022-2023	2021-2022
		KSh.	KSh.
a) Current account			
Co-operative Bank	1120023210300	981,617	812,335.66
Co-operative Bank	1136023210300	60,390	2,772
Co-operative Accounts	11480210303		283,370
Co-operative Bank	1100023210300	6,497,395	6,158,345
capital Sacco	1920288	142,071	14,859
Equity Bank	1040282676151	3,032,672	769,473
Sub- total		10,714,144	8,041,154
b) On – call deposits		0	
Co-operative Bank	1100023210300	-	-
Others			
Sub- total		-	-
c) Fixed deposits account			
Other Commercial banks	-	-	-
Others	-	-	-
Sub- total		-	-
Sub- total		-	-
d) Others (specify)			
Cash in transit			
Cash in hand		3,785	6,439
Mobile money account			
Sub- total		3,785	6,439
Grand total		10,717,929	8,047,592

33. Ordinary share capital

	2022-2023	2021-2022
	KSh.	KSh.
Authorized:		
XXX ordinary shares of Kshs. par value each	-	-
Issued and fully paid:		
XXX ordinary shares of Kshs. par value each	-	-

(no shares issued during the year)

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Notes to the financial statements (continued)

34. 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.

35. 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.

36. 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.

	2022-2023 Kshs	2021-2022 Kshs
Balance as at the start of the year	23,128,884	28,809,715
profit /loss for the year	(6,757,792)	(5,680,832)
Refund of unsued revenue Grant from WSTF	(64,239)	
Total Reserves	16,306,853	23,128,883
capital reserves		
a) Capital Reserve (Defered Income)	10,721,953	12,821,793
Capital Grant Income - WSTF	10,801,325	
Arnotisation of capital grant	(1,729,445)	(2,099,840)
Total Capital Reserves	19,793,833	10,721,953

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37.Deffered 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

	2022-2023	2021-2022
	KSh'c	KSh'c
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	-	-
Provisions for liabilities and charges	-	-
Net deferred tax liability	-	-

	2022-2023	2021-2022
	KSh'c	KSh'c
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	-	-

38.Borrowings

Description	2022-2023	2021-2022
	KSh'c	KSh'c
a) External Borrowings		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	(-)	(-)
Balance at end of the year		-
b) Domestic Borrowings		
Balance at beginning of the year	-	-
Domestic borrowings during the year	-	-
Repayments during the year	-	-
Balance at end of the year	-	-
C) Total Balance at end of the period c = a+b	-	-

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Notes to the financial Statements(continued)

	2022-2023	2021-2022
	KSh	KSh
External Borrowings		
Dollar denominated loan from 'xxx Organization'	-	-
Sterling Pound denominated loan from 'yyy organization'	-	-
Euro denominated loan from zzz organization'	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Total balance at end of the year	-	-

Description	2022-2023	2021-2022
	KSh	KSh
Short term borrowings (current portion)	-	-
Long term borrowings	-	-
Total	-	-

(NB: the total of this statement should tie to note 43 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed). [Foreign denominated loans should be restated based on CBK closing mean rates at the end of financial year]

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39. Lease Liability

Description	2022-2023	2021-2022
	RSKs	RSKs
At the start of the year	-	-
Discount interest on lease liability	-	-
Paid during the year	(-)	(-)
At end of the year	-	-

Maturity analysis	2022-2023	2021-2022
	RSKs	RSKs
Year 1	-	-
Year 2	-	-
Year 3	-	-
Year 4	-	-
Year 5	-	-
On wards	-	-
	-	-
Less: unearned interest	(-)	(-)
	-	-
Analysed as:		
Non-Current	-	-
Current	-	-

40. Provisions

Description	Employee Provision		Borrower Provision		Other Provisions		Total
	RSKs	RSKs	RSKs	RSKs	RSKs	RSKs	
Balance at the beginning of the year	-	-	-	-	-	-	-
Additional Provisions	-	-	-	-	-	-	-
Provision utilised	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Change due to discount and time value for money	-	-	-	-	-	-	-
Balance at the end of the year	-	-	-	-	-	-	-

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Notes to the financial statements (continued)

Provisions details

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Portion of Provisions	-	-
Long-term portion of Provisions	-	-
Total	-	-

41.Retirements Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2022-2023	2021-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
Total	-	-	-	-	-

Retirements benefit Assets/Liability

The entity doesn't operate asset or Liability

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	2022-2023	2021-2022
	TKR	TKR
Discount rates	x%	x%
Future salary increases	x%	x%
Future pension increases	x%	x%
Mortality (Pre- retirement)	x%	x%
Mortality (Post- retirement)	x%	x%
Withdrawals	xx	xx
Ill health	xx	xx
Retirement	xx years	xx years

Recognition of retirement Benefit Asset/; liability

a) Amounts recognised under other gains/Losses in statements of Comprehensive income

Description	2022-2023	2021-2022
	TKR	TKR
The return on defined plan assets	-	-
Actuarial gains/ losses arising from changes in demographic assumptions	-	-
Actuarial gains/ losses arising from changes in financial assumptions	-	-
Actuarial gains and losses arising from experience adjustments	-	-
Others (Specify)	-	-
Adjustments for restrictions on the defined benefit asset	-	-
Remeasurement of the net defined benefit liability (asset)	-	-

b) Amounts recognised in the statements of financial position

Description	2022-2023	2021-2022
	TKR	TKR
Present value of defined benefit obligations(a)	-	-
Fair value of plan assets(b)	(-)	(-)
Funded Status(=a-b)	-	-
Restrictions on asset recognized	-	-
Others	-	-
Net Asset or liability arising from defined benefit obligation	-	-

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Retirement benefit Asset/ Liability

The entity operates a defined benefit scheme for all full-time employees from July 1, 2017. The scheme is administered by county pension Fund while CPF are the custodians of the scheme. The scheme is based on 9% percentage of salary of an employee at the time of retirement.

Imetha Wasco also contributes the statutory deductions to the National Socia; Security Fund (NSSF).it is a defined contribution scheme Registered under the National Social security Act. currently the contribution is at kshs 1,080

42.Trade and other Payables

	2022-2023	2021-2022
	Kshs	Kshs
Trade payables	27,333,540	21,223,250
Accrued expenses	8,009,494	9,464,856
Employee payables	1,132,396	-
Other payables		
Audit fees	1,890,000	1,890,000
Total	38,365,429	32,578,106

Aging Analysis for trade and other payables

	2022-2023	% of the total	2021-2022	% of the total
Under one year	9,373,890	18%	9,464,856	21%
1-2 years	7,045,026	13%	4,494,523	10%
2-3 years	14,994,523	29%	10,500,100	23%
Over 3 years	20,881,341	40%	21,687,977	47%
Total	52,294,779		46,147,457	

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43. Refundable Deposits and prepayments

	2022-2023	2021-2022
Opening Balance	13,569,350	13,231,850
Add :Deposits received during theyear	360,000	337,500
Less: refunded Deposist during theyear	-	-
Prepayments by customers	-	-
Retention/Contract deposits	-	-
Others (Specify)	-	-
Total	13,929,350	13,569,350

Aging Analysis for refundable Deposit and Prepayment

	2022-2023	% of the total	2021-2022	% of the total
Under one year	360,000	3%	337,500	3%
1-2 years	697,500	5%	782,750	6%
2-3 years	1,142,750	8%	1,428,750	11%
Over 3 years	11,729,100	84%	10,682,850	81%
Total	13,929,350		13,231,850	

44. Deferred Income

Description	2022-2023	2021-2022
	KShs.	KShs.
National/County government	-	-
International funders	-	-
Public contributions and donations	-	-
Total deferred income	-	-

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The deferred income movement is as follows:

	2022-2023	2021-2022	2020-2021	2019-2020
Balance brought forward	-	-	-	-
Additions	-	-	-	-
Transfers to Capital fund	(-)	(-)	(-)	(-)
Transfers to income statement	(-)	(-)	(-)	(-)
Other transfers	(-)	(-)	(-)	(-)
Balance carried forward	-	-	-	-

45. Dividends payable

The balance of dividends payable relates to unclaimed dividends, payable to different shareholders the balance is analysed in annual amount below

	2022-2023	2021-2022
At the beginning of the year	0	-
Additional declared during the year	0	-
Paid during the year	(-)	(-)
Balance at end of the year	0	-

Dividends payable analysis

	2022-2023	% of the total	2021-2022	% of the total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-		-	

(No Dividends payable to ordinary shareholders and to preference shareholders since the company has no shareholder)

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Notes to the financial statements (continued)

46. Taxation

	2022/2023	2021/2022
At beginning of the year	0	-
Income tax charge for the year	0	-
Under/(over) provision in prior year/s	0	-
Income tax paid during the year	(-)	(-)
At end of the year	0	-

47. Notes to the statements of cash flows

	2022/2023	2021/2022
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	(6,757,792)	(5,680,832)
Depreciation	5,178,754	6,223,815
Amortization	(1,729,445)	(2,099,840)
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	(3,308,482)	(1,556,857)
Working capital changes:		
(Increase)/decrease in inventories	528,922	630,889
(Increase)/decrease in trade and other receivables	(697,891)	(1,674,081)
Increase/(decrease) in trade and other payables	6,147,323	5,539,833
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	-	-
Cash generated from/ (used in) operation	2,669,872	2,939,784

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(b) Analysis of changes in loans		
Balance at beginning of the year		
Receipts during the year	-	-
Repayments during the year	-	-
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	-	-
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	10,714,144	8,041,154
Cash in hand	3,785	6,439
Balance at end of the year	10,717,929	8,047,593
(d) Analysis of interest paid		
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	-	-
(e) Analysis of dividend paid		
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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Other Disclosures

48. Related Party Disclosures

County Government of Meru

Imetha Water and Sanitation Company operates in Meru County, therefore. All transactions between Imetha Water and Sanitation Co. and the County Government of Meru are at arm's length.

Other related parties are WSTF, the company Directors and the key management, Other than the directors' emoluments, all transactions made with these parties are at arm's length

Other related parties include

- The county department in charge of water
- County government of Meru
- Water works agencies
- WASREB (Water Services Regulatory Board)
- WRA
- Water sector Trust Fund
- Key management
- Board of directors
- Key management
- Board of directors

	2023	2022
a) Sales to related parties		
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)	-	-
Total	-	-
b) Purchases from related parties		
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Bank charges paid to Govt Commercial banks	-	-

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Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
Total	-	-
b) Grants from the Government		
Grants from National Govt Agencies	11,699,117	549,198
Grants from County Government	849,744	928,713
Donations in kind	-	-
Total	12,548,861	1,477,911
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	344,200	1,029,400
Compensation to key management	3,200,463	1,772,356
Total	3,544,663	2,801,756
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Receivables from other government entities	-	-
Others (Specify)	-	-
Total	-	-

49. Capital Commitments

Capital commitments at the year- end for which no provision has been made in these financial statements are

	2022-2023	2021-2022
	K.sh	K.sh
Amounts authorised and contracted for	-	-
Amounts authorized but not contracted for	-	-
Less: Amounts included in Work in progress	-	-
	-	-

No capital commitments for the year ended 30th June 2023

50. Contingent Assets and liabilities

Contingent Assets

	2022-2023	2021-2022
	(KSh)	(KSh)
Amounts authorised and contracted for	-	-
Amounts authorized but not contracted for	-	-
Less: Amounts included in Work in progress	-	-
	-	-

Contingent liabilities

	2022-2023	2021-2022
	(KSh)	(KSh)
Contingent liabilities	-	-
Court case Imetha wasco against the entity	1,549,768.58	-
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs (Public Private Partnership)	-	-
Others (Specify)	-	-
Total	-	-

51. FINANCIAL RISK MANAGEMENT

Imetha Water and Sanitation Company is exposed to a variety of financial risks including credit and liquidity risks. 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.

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i) Credit risk

The company has exposure to credit risk which is the risk that the customers may not be able to pay the bills when they fall due.

The company provides a credit period of a maximum of 14 days to the water customers.

Failure to pay within this period the water supply is disconnected.

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.

	Total amount	Fully performing	Past due but not impaired	Past due and impaired
	KSh	KSh	KSh	KSh
At 30 June 2023				
Trade Receivables	43,644,507	43,644,507.0	43,644,507.0	-
Other Receivables	664,668	664,668.0	664,668.0	-
Investments	-	-	-	-
Bank balances	10,714,144	10,714,144.0	10,714,144.0	-
Total	55,023,319	55,023,319.0	55,023,319.0	
At 30 June 2022				
Receivables	42,267,487.0	42,267,487.0	42,267,487.0	-
Other Receivables	1,230,092.0	1,230,092.0	1,230,092.0	-
Investments	-	-	-	-
Bank balances	8,041,153.0	8,041,153.0	8,041,153.0	-
Total	51,538,732.0	51,538,732.0	51,538,732.0	-

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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 company has significant concentration of credit risk on amounts due from 30 days.

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

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 entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows and maintaining a savings account where a portion of the company's revenue is reserved

	Less than 3 months	3 to 12 months	Over 12 months	Total
	KSh	KSh	KSh	KSh
At 30 June 2023				
Trade payables	1,874,778	2,343,473	48,076,529	52,294,779
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	1,874,778	2,343,473	48,076,529	52,294,779
At 30 June 2022				
Trade payables	1,419,728	1,891,371	42,836,357	46,147,457
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	1,419,728	1,891,371	42,836,357	46,147,457

(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.

a) Foreign currency risk

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

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Notes to the financial statements (continued)

(iii) Market risk (Continued)

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

	2022	2021	2020
	KSh	KSh	KSh
At 30 June 2022 Current Year			
Financial assets			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
Financial Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

The Company manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments

	2022	2021	2020
	KSh	KSh	KSh
At 30 June 2022			
Financial assets			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
Financial Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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b) Foreign currency sensitivity analysis

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant

	Change in currency rate	Change in Profit before tax	Change in Equity
	KSh/c	KSh/c	KSh/c
2023 Current FY			
Euro	10%	-	0
USD	10%	-	0
2022 Previous FY			
Euro	10%	-	0
USD	10%	-	0

c) 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

Notes to the financial statements (continued)

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 xxx (20xx: Kshs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs xxx (20xx – Kshs xxx)

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).

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

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Notes to the financial statements (continued)

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

At 30 June 2023	Level 1	Level 2	Level 3	Total
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-
At 30 June 2022				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
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:

	2022	2021
Revaluation reserve		
Retained earnings	16,306,856	23,128,883
Capital reserve	19,793,833	10,721,953
Total funds	36,100,689	33,850,836
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/ (excess cash and cash equivalents)	-	-
Gearing		

52. Incorporation

The Imetha water and sanitation company is incorporated in Kenya under the Kenyan Companies Act 486 and is domiciled in Kenya

53.Events After the Report Period.

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

54.. Currency

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

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20 APPENDIXES

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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Ref No.	Issue/Observations from Auditor	Management Comments	Focal Point person to resolve	Status: Resolved/Not Resolved	Time Frame
1.1	Cash and cash Equivalents	The uncredited receipts of kshs 411,293 were for the period ending 30 th June 2022 but not 2021 as was reflected in the bank reconciliation statements. The dates were erroneously indicated in the bank reconciliation statements. The statements were rectified to reflect the Correct dates.	Commercial Manager	Resolved	
1.2	1.0 Customer Deposits	The management is continuously replenishing customers deposits account to ensure that all the amount due to customers is paid. A standing order has been made to that effect	Commercial Manager	Resolved	

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1.3	1.0 Increase in Trade payables	The trade payables were on upward trend during the period since the company's revenues were adversely affected by prolonged drought which caused shortage of water in a number of schemes hence low collection of revenue	General Manager	Not Resolved	
1.4	Budgetary Control and Performance	The company's budget revenue could not be achieved due to the prolonged dry spell which affected the volumes of water sold to the customers. There was also massive destruction of road works which affected water supply	General Manager	Not Resolved	
2.1	Non-Revenue water (NRW)	The company is progressively doing intervention to reduce the NRW to Desirable levels	Technical Manager	Not Resolved	
2.2	Unmetered Billing	Metering is a capital investment to the company; The company requires 4,000 water meters to be 100% metered. This requires a huge capital outlay and pose a challenge to the company with the current tariff which does not cater for capital investments. A tariff review proposal has been submitted to	General Manager	Not Resolved	

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		WASREB for consideration to cater for capital investments			
3.0	Affirmative Action on Gender, Ethnicity and Regional distribution	The management committed to ensure that any new recruit that will be undertaken considers ethnic balance	HRM	Not Resolved	
1.1	lack of salary and remuneration commission approval	The management has severally sought approval for SRC salary approvals	HRM	Not Resolved	
1.2	Long Outstanding Receivables	The surrendered Imprest were issued to officers who failed to account for after completion of various tasks. The management has written letters to the concerned officers who exited from the company and follow-up through calls to ensure that they surrender their Imprest. all Imprest have been surrendered	Commercial Manager	Not Resolved	
2.0	Lack of	The management gas	ICT	Not Resolved	

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	Information Technology Policy	<p>Developed an IT policy document for use</p> <p>The management has always written to the eservice provider whenever the system support is needed. Therefore, there is no case of unauthorized access in the billing system</p>			
3.0	Inventory Management	<p>The management have put in place plan to dispose obsolete items in stores. A disposal policy is being develop</p> <p>The company had a Disposal plan in place</p>	Procurement Officer	Resolved	

A.G: Chief Executive Officer
Patrick Mugendi



Date: 27/09/2023

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Appendix 11: projects implemented by the Company

During the year under review the company was funded by Water Sector Trust Fund to construct a decentralised treatment facility which was completed during the quarter.

Project title	Project No	donor	Period duration	Donor commitment	Separate donor reporting required as per the donor agreement	Consolidated these financial statements
Mitunguu water Project	1	Water Sector Trust Fund	1Year	18,279,870	yes	yes

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Source of funds
1	Mitunguu water project	18,279,870	11,389,050	90%	18,279,870	11,389,050	WSTF
2							
3							

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Appendix III: Inter-Entity transfers



Imetha water and sanitation company

P.O Box 487-60200, Mobile 0757 227 115

Meru

The IMETHA water and sanitation company wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate column E in the table below. Please sign and stamp this request in the space provided and return it to us.

Continuation of amounts received by [Insert name of beneficiary entity] as at 30 th June 20xx							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30 th June 20xx				Amount Received by [beneficiary entity] (Kshs) as at 30 th June 20xx (E)	Differences (Kshs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total							

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

Head of Accountants department of beneficiary entity:

Name CPA Winfred Mukiri. Sign Date

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Appendix IV: Reporting of climate relevant expenditure

Project Name	Project Description	Project Objectives	Project Activities	Quarter				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

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Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Where Recorded/recognized					
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivable	Others	Unrecorded
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									