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OF

THE AUDITOR-GENERAL

ON

**IMETHA WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2021**





IMETHA WATER AND SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021**

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

Imetha water and sanitation company.
Annual Reports and Financial Statements
For the year ended June 30, 2021

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1.IMETHA WATER AND SANITATION COMPANY INFORMATION

Incorporation

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 Jackson Muthamia | Director | 16 May 2020 |
| 3 | Mr Joseph Kabii Chabari | Director | 16 May 2018 |
| 4 | Ms Elizabeth Kanini | Director | 16 May 2018 |
| 5 | Mr. Joseph Kithure Mberia | Secretary | 16 May 2018 |

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



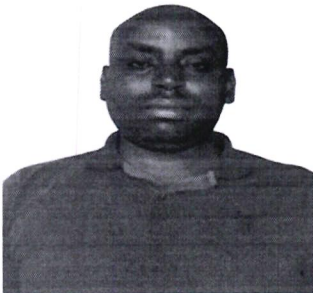
Auditor General
Office of the auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100

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

II. BOARD OF DIRECTORS

| Photo | Name and Qualifications | Date of Birth and Experience |
|---|--|---|
|  | <p>Dr. Mugambi Mworia Ph.D. (Range Science), MSc (Range science), BSc. Ecology</p> <p>Joined 16th May 2018</p> | <p>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</p> |
|  | <p>Mr. Joseph Kabii Chabari MBA(Finance), BBA(Accounting), CPA(K)</p> <p>Joined 16th May 2018</p> | <p>Date of Birth 1982 Chief Officer Finance and Economic Planning, Chief Accountant National Treasury Mbooni Sub County January 2008 to December 2017 Chairman finance and administration committee</p> |
|  | <p>Mr. Jackson Muthamia B.Sc. Geospatial Engineering</p> | <p>Date of Birth 1984 Ag. Chief Officer water and Irrigation may-2020 to date Director Water and Irrigation 2017-2020 Head of survey and drilling unit 201-2017 Ag director environment and natural resources 2015-2016 Chairman Audit Committee</p> |





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| | | |
|---|---|--|
|  | <p>Ms. Elizabeth Kanini Dip. Business Management</p> <p>Joined 16th May 2018</p> | <p>Date of Birth 1974 Formerly nominated MCA from 2013 to 2017, Land Control Board Member from July 2007 to June 2014, and Worked at Meru North Farmers SACCO.</p> |
|---|---|--|

| | | |
|--|---|---|
|  | <p>Mr. Joseph Kithure Mberia B.Arts (Social Sciences), Dip Business Management/Administration, Principles of Modern Management, Sales Management and Marketing</p> <p>Joined 16th May 2018</p> | <p>Date of Birth 22nd December 1965 General Manager – Commercial Division Resorts and Cities Limited from October 2014 to June 2017 , Various Managerial Posts- Nestlé Kenya Ltd 2004 to May 2012</p> |
|--|---|---|

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III.MANAGEMENT TEAM:

| | | |
|---|--|--|
|  | <p>Mr. Joseph Kithure Mberia B.Arts (Social Sciences), Dip Business Management/Administration, Principles of Modern Management, Sales Management and Marketing</p> | <p>Date of Birth 22nd December 1965 General Manager – Commercial Division Resorts and Cities Limited from October 2014 to June 2017 , Various Managerial Posts- Nestlé Kenya Ltd 2004 to May 2012</p> |
| <p>2.Mr. Edward Njagi Mugambi</p> |  | <p>Date of birth 1969 Key profession/ Academic qualifications: Higher National Diploma in Water Engineering</p> <hr/> <p>Responsibility: Technical Manager August 2015 - to date</p> |
| <p>3.Mr Patrick Mugendi</p> |  | <p>Date of birth 1978 Key profession/ Academic qualification: Bachelor's degree Human resource Development Studies & Economics.</p> <hr/> <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> <hr/> <p>Responsibility: Commercial Manager September 2012-to Date</p> |

IV. CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30TH JUNE 2021

It is my pleasure to present the financial statements for the 2020-2021 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 Covid-19 pandemic we continued to provide water as the commodity become critical in minimizing the infection rates. The public health continues to advise citizens to properly wear masks and regularly wash their hands in order to minimize the spread of Covid-19.

The company being the licensed water service provider within the area of jurisdiction went extra mile to ensure that customer needs are satisfied through provision of clean water.

Financial Performance

The company continued to provide services albeit hard economic times due to the devastating impact of Covid-19 which led to the closure of our major institutions following restrictions of movement in order to reduce transmission of the virus. The major customers who form the bulk of our clientele are institution customers made up hotels, public institutions and so on. These institutions reduced their activities and some closed. Public events were restricted hence reduction of water consumption. Despite the Pandemic the turnover rose by 7 percent from Kshs 43,281,818 million to 46,327,823 Kshs million as compared to the previous financial year. In order to cushion water service providers, the Water Sector Trust Fund disbursed Kshs 12,833,500 million as a conditional grant. The funds were utilized as per the terms and conditions

Water Infrastructure

During the period in order to intervene the effects of Covid-19, the company embarked on addressing water coverage and improvement of distribution lines by utilizing the grants received from the Water Sector Trust Fund. The project undertaken includes In Tigania, interventions have also been done in several areas; installation of new four-inch quality water pipes in the Karama service line to deal with the backlog of water connections in Muriri water scheme. The pipes have been installed on 3.1 kilometres 2inch pipes on a stretch of 1.9 kilometres while a distance of 670 metres was installed one and half inch pipes for further distribution to residences. The Karama water service line serves a total of 1,750 people in the area, while Ntharene service line in South Imenti will serve 400 people, Nkubu Zone B and C Service

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line will serve 370 people and 1000 people respectively, whereas the Kibanga will serve 350 people. This will serve a total of 3,870 people through Imetha Wasco

Performance Ranking

A performance report by the Water Services Regulatory Board ranked the company position 56(fifty six) nationally an improvement from position 64(Sixty four) the previous period. The company maintained position one in the large category. The water service provision is governed by the Water Act 2016. Consequently, during the year the company successfully applied for the water service provision licence.

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 which was developed during the year. The development of the Strategic Plan involved all the stakeholders in the water sector in the Meru County and Nationally.

On behalf of the Board of directors, I would like to thank our customers , development partners especially, the Water Sector Trust Fund for their financial support during the year, Japanese international Corporation Agency for donating water treatment chemicals during the year 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.

Thank you



Dr Mworira Mugambi

Chairman of the Finance Committee

Meru County Urban Water & Sanitation Services Corporation

V.REPORT OF THE CHIEF EXECUTIVE OFFICER FOR THE FINANCIAL YEAR ENDED JUNE 2021.

It is my pleasure to report on the performance of the company for the financial year 2020/2021. During the year, the company improved on its operating income to 58,447,038 million in comparison to the previous year's Kshs. 58,455,036 million. However, the trade debtors increased by Kshs **2,640,315** in comparison to the previous year signifying the adverse effect of Covid-19 pandemic which affected the customers' ability to pay their bills on time.

Infrastructure improvement

It is worth noting that 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 Company rehabilitated 2.2 kilometers of 110mm diameter HDPE pipeline at a cost of Kshs 1,876,100 under the 2nd RRI initiative. The world Bank, in collaboration with the WSTF, WASREB and the County Government of Meru funded the company with Kshs 12,533,800 under the Conditional Liquidity Support Grant (CLSG) to cushion the WSP from COVID 19 Pandemic effects. We managed to rehabilitate 11.2 kilometres of pipeline.

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 sent appeals to our customers 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 as a result of COVID 19. 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.

V. CONT' REPORT OF THE CHIEF EXECUTIVE OFFICER FOR THE FINANCIAL YEAR ENDED JUNE 2021

Sanitation

The company received funding to the tune of Kshs 17 million from the Water Sector Trust Fund to construct subsidised pour flash toilets and a Decentralised Treatment Facility (DTF) we managed to construct a DTF to completion and 211 pour flash toilets in Mitunguu town and its environs.

Non -Revenue Water

The company like any other water service provider is faced with problem of water losses that currently stand at 42 percent, an improvement from 50 percent in the previous year. The Non-Revenue Water (NRW) is mainly attributed to illegal water use by unscrupulous individuals, under registering of old meters and water bursts due to 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 to apprehend the culprits illegally using water, rehabilitation of old and dilapidated infrastructure through the Rapid Result Initiative, regular monitoring of category one consumer meters (heavy Consumers). We have also requested Tana Water Works Development Authority to assist us with 4700 customer meters.

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 in collaboration with the National Government through WSTF for financing sanitation project in Mitunguu under the UPSUB programme... The DTF facility and the pour flash toilets will go a long way in improving the sanitation in Meru County. We also cannot forget World Bank for the CLSG funding which assisted us much in cushioning the COVID 19 Pandemic effects.

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

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Regards



Edward Njagi

For: Chief executive officer

VI. STATEMENT OF IMETHA WATER AND SANITATION COMPANY LTD PERFORMANCE
AGAINST PREDETERMINED OBJECTIVES FOR FY
2020/2021

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 2020/2021

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 2020/2021

Imetha strategic plan has expired and is in the process of developing a strategic plan to cover 5 years period

VII.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

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- 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 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:

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During the financial year 2020-2021 the board held the following meetings. The details of the attendance at these meeting are as set out below

| NAME OF THE BOARD MEMBER | FULL BOARD MEETING | | NAME OF THE COMMITTEE | COMMITTEE MEETING | |
|--------------------------|--------------------|--------------------|---|-------------------|--------------------|
| | ATTENDED | ELIGIBLE TO ATTEND | | ATTENDED | ELIGIBLE TO ATTEND |
| Dr. Mworia Mugambi | 5 | 5 | Finance & Admin Technical Committee Audit | 3 3 4 | 3 3 4 |
| Jackson Muthamia | 5 | 5 | Finance & Admn Audit Committee Technical Committe | 4 3 4 | 4 4 4 |
| Elizabeth Kanini | 5 | 5 | Finance & Admn Technical Committee Audit committe | 4 4 4 | 4 4 4 |
| * CPA Francis Mungai | 4 | 5 | Finance & Admn Technical Committee Audit Committee | 4 3 | 4 3 |
| Joseph Mberia | 5 | 5 | Finance & Admn Audit Committee technical | 4 4 | 4 4 |

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.

VIII.MANAGEMENT DISCUSSION AND ANALYSIS

Imetha water and Sanitation Company presents its financial performance for the year ending 30th June 2021. 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 2021, the company's revenue was **Kshs 58,447,038** compared to the **Kshs 58,455,036** of the year ended 30th June 2020. The reason for the increases is that the company has improved its revenue from water sales by kshs 3,046,005.also the company has received grants from the ministry of water and irrigation in form of chemicals, water sector trust fund has given the company a variable grant of kshs to improve the liquidity of the company. received a funding of finalising the construction of a Decentralised Treatment Facility and 211 No pour toilets in Mitunguu. The 3rd disbursement of Kshs 3,182,281 was received..

Expenditure

The company's primary expenditure relates to Administration, Operation and Maintenance and Personnel costs. The others are depreciation of assets and amortisation of intangible assets. During the year ending 30th June 2021, expenditure of **56,217,228** as compared to **Kshs 50,507,661** in the previous year was incurred.

Liquidity

In the financial year ending June 2021, there was increase in receivable, these is attributable to the institutional customers mostly Government departments and County Government and covid- 19 pandemic which made most of the customers unable to pay. There was also a slight 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 positive working capital of **Kshs 6,357,965** this was due to the money received from water sector trust fund to enhance liquity of the company.

As at 30th June 2021 the company had **Kshs 7,255,392** as cash at hand and bank, inventory of **Kshs 2,060,287**. The total current assets were **Kshs 46,965,588** and the total current liabilities was **Kshs 40,607,623** therefore the company had a net working capital of **Kshs 6,357,965**

IX. ENVIROMENTAL AND SUDSTAINABILITY 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.

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 be able to:

- i. To improve the health standards of Mitunguu water schemes by subsidizing 200 No of pour flash toilets and constructing a Decentralised Treatment Facility which is underway
- ii. To increase the company's coverage by supplying the targeted underserved areas.
- iii. Install hand washing points in market centres for use by the public.

X.REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 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, 2021 are set out on page 2-27

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

XL.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, 2021, 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*

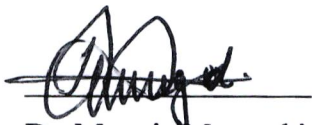
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sanitation company's financial statements as well as the adequacy of the systems of internal financial control.

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 **28th september, 2021** and signed on its behalf by:



Dr. Mworia Mugambi

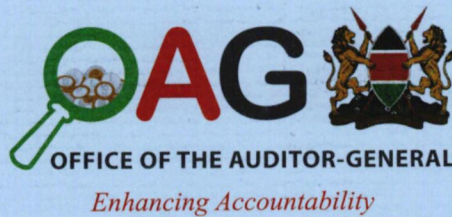
Chairman Board of Directors



Edward Njagi

For: 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, 2021

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 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 set out on pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of

Report of the Auditor-General on Imetha Water and Sanitation Company Limited for the year ended 30 June, 2021

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, 2021, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Water Act, 2016.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The financial statements prepared and presented for audit had the following inaccuracies;

- i. The statement of comparison of budget and actual amounts reflects total actual income of Kshs.65,033,135 while the statement of profit or loss and other comprehensive income reflects an amount of Kshs.58,447,038 resulting to unexplained variance of Kshs.6,586,097. Similarly, the statement of comparison of budget and actual amounts reflects total actual expenditure of Kshs.68,666,640 while the statement of profit or loss and other comprehensive income reflects Kshs.56,217,228 resulting to an unexplained and unreconciled variance of Kshs.12,449,412.
- ii. The statement of profit or loss and other comprehensive income reflects depreciation charge of Kshs.4,165,814 while the recalculated amount is Kshs.5,543,883 resulting to an unexplained and unreconciled variance of Kshs.1,378,069.
- iii. The statement of financial position as disclosed in Note 8 to the financial statements reflects customer water deposits of Kshs.13,231,850 while the customer water deposits bank account reflects a balance of Kshs.5,694,366 resulting to an unexplained and unreconciled variance of Kshs.7,537,484.
- iv. The statement of cashflows reflects an amount of Kshs.8,727,596 in respect of acquisition of property, plant and equipment while Note 15 to the financial statements on property, plant and equipment movement schedule reflects net additions amounting to Kshs.8,016,696 resulting to an unreconciled and unexplained variance of Kshs.710,900.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Unsupported Insurance Costs

The statement of profit or loss and other comprehensive income reflects administrative costs of Kshs.15,284,050 as disclosed in Note 5 to the financial statements. The amount

includes insurance cost of Kshs.178,630. However, the assets valuation report and details on how the insurance premium was determined were not provided for audit.

In the circumstances, the accuracy and completeness of the insurance costs amounting to Kshs.178,630 could not be confirmed.

3. Unsupported Expenditure on Travelling and Subsistence

The statement of profit or loss and other comprehensive income reflects administrative costs of Kshs.15,284,050 as disclosed in Note 5 to the financial statements. The amount includes travelling and subsistence of Kshs.1,662,453 out of which Kshs.497,900 was issued as imprest. However, the amount was not fully supported by surrender schedules indicating purpose of imprest, means of travel, and back to office reports.

In the circumstances, the accuracy and completeness of travelling and subsistence expenditure of Kshs.1,662,453 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.

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.

Other Matter

Unresolved Prior Year Matters

In the audit report of 2019/2020 financial year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

Other Information

The Management are responsible for the other information, which comprises The Chairman's Statement, Report of the Chief Executive Officer, the statement of corporate governance, management discussions and Analysis, Statement of Corporate Social Responsibility and Statement of Directors Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

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. Trade Receivables

As previously reported, the statement of financial position as disclosed in Note 7 to the financial statements reflects a balance of Kshs.37,649,909 in respect to trade and other receivables. The balance includes staff debts of Kshs.664,668 and imprest that had not been surrendered of Kshs.565,454 all totaling to Kshs.1,230,092 that has been outstanding since financial year 2009/2010 and no evidence of the measures taken by Management to recover the outstanding debts was provided for audit. Further, debtors ageing analysis schedule was not provided for audit review.

In addition, the Company does not have a sound Debt Management Policy and sound Cash Management Policy. This is contrary to Section 83(2)(f) of the Public Finance Management (County Governments) Regulations, 2015 which states that for purposes of this regulation, sound cash management includes pursuing debtors with appropriate sensitivity and rigour to ensure that amounts receivable are collected and banked promptly.

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

2. Unmetered Water

The statement of profit or loss and other comprehensive income reflects water sales of Kshs.46,327,823 as disclosed in Note 1 to the financial statements. The amount includes water sales of Kshs.42,377,517 out of which Kshs.11,112,145 related to unmetered water where consumers only paid a standing monthly fee irrespective of the water consumed.

In the circumstances, the value for money on the unmetered water connections amount of Kshs.11,112,145 could not be confirmed.

3. Irregular Procurement of Repairs and Maintenance Services

The statement of profit or loss and other comprehensive income reflects operation and maintenance of Kshs.12,761,106 as disclosed in Note 11 to the financial statements. The amount includes repairs and maintenance of Kshs.9,102,759 out of which Kshs.803,801 was paid to a hardware for the supply of assorted repairs and maintenance equipment.

However, the procurement process was not competitive since quotation documents were only issued to one company and there was no requisition from the user department.

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

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. Non-Revenue Water (NRW)

During the year under review, the Company produced 1,184,866 cubic meters (m³) of water. However, only 716,731 m³ were billed to customers. The balance of 468,135 m³ or 40% of the total volume represented non-revenue water (NRW) which is 15% above the allowable loss of 25%. This was contrary to Schedule E of the Water Services Regulatory Board guidelines which allows a maximum loss of 25% for every cubic meter of water produced. The non-revenue water of 468,135 m³ may have resulted in loss of sales estimated at Kshs.29,632,946 at the rate of Kshs.63.30 per m³.

In the circumstance, the effectiveness of controls on water production and billing could not be confirmed.

2. Weak Inventory Management Controls

During the stock taking exercise carried out in June, 2021, it was noted that Management had not given stock taking instructions to guide stores clerks and other staff involved in the stock taking exercise to ensure a smooth exercise of updating of records, closing of ledgers cards and arranging stores

In addition, sampled ledger cards revealed that items valued at Kshs.171,016 were non-moving and remained dormant during the year. Further, Management did not prepare and present the annual disposal plan to the County Executive for approval.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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 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 these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal 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 applicable 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 overall

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 controls may not prevent or detect misstatements and instances of noncompliance. 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 controls.

- 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, SBS
AUDITOR-GENERAL

Nairobi

29 September, 2022

Emetha water and sanitation company.
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XIII. STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

| INCOME | NOTE | 2020-2021 | 2019-2020 |
|-----------------------------------|-------------|-------------------|-------------------|
| | | Kshs | Kshs |
| Water Sales | 1 | 46,327,823 | 43,281,818 |
| County Government of Meru Subsidy | 3 | 1,165,620 | 2,210,425 |
| Other Incomes | 2 | 10,953,596 | 12,962,793 |
| | | - | - |
| Total Income | | 58,447,038 | 58,455,036 |
| EXPENDITURE | | | |
| Personnel costs | 4 | 20,810,660 | 21,463,954 |
| Administrative costs | 5 | 15,284,050 | 10,330,841 |
| Operations and Maintenance | 11 | 12,761,106 | 9,550,696 |
| Depreciation charge | 15 | 4,165,814 | 4,687,814 |
| Amortisation of intangible assets | 15 | 1,333,333 | 1,333,333 |
| WSTF expenses | 13 | 1,862,265 | 3,141,023 |
| Total Expenditure | | 56,217,228 | 50,507,661 |
| Deficit/Surplus of Income | | 2,229,811 | 7,947,374 |

Imetha water and sanitation company.
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XIV.STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

| | NOTES | 2020-2021 Ksh | 2019-2020 Ksh |
|-------------------------------------|-------|-------------------|-------------------|
| ASSETS | | | |
| Non-current Assets | | | |
| Property plant and equipment | 15 | 26,122,100 | 21,560,318 |
| Intangible assets | 15 | | 1,333,333 |
| W.I.P | 14 | 9,151,442 | 2,591,631 |
| Total Non current assets | | 35,273,542 | 25,485,283 |
| Current Assets | | | |
| Inventory | 10 | 2,060,287 | 2,118,948 |
| Trade and other Receivables | 7 | 37,649,909 | 34,973,838 |
| Cash and cash equivalents | 6 | 7,255,392 | 11,274,042 |
| | | 46,965,588 | 48,366,828 |
| Current Liabilities | | | |
| Trade and other Payables | 8 | 40,607,623 | 40,148,566 |
| Total Current Liabilities | | 40,607,623 | 40,148,566 |
| Net Current Assets | | 6,357,965 | 8,218,262 |
| TOTAL ASSETS | | 41,631,507 | 33,703,545 |
| EQUITY AND LIABILITIES | | | |
| Capital Reserves | 9(a) | 12,821,793 | 7,123,641 |
| Revenue Reserves | 9(b) | 28,809,714 | 26,579,904 |
| TOTAL EQUITY AND LIABILITIES | | 41,631,507 | 33,703,545 |

The financial statements were approved by the board on 28TH SEPTEMBER 2021 and signed on behalf.

Dr Mworja Mugambi

Chairman Board of Directors

MR.Edward Njagi

For: Chief Executive Officer

CPA Winfred Mukiri ICPAK RG NO 17874

Commercial Manager

Imetha water and sanitation company.
Annual Reports and Financial Statements
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XV.STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

| | Capital Reserves | Revenue Reserves | Total |
|---------------------------------|-----------------------------|-----------------------------|-------------------|
| | KSHS | KSHS | KSHS |
| As at 1st July 2019 | 7,925,244 | 18,632,530 | 26,557,774 |
| Armotisation of Capital Grant | (1,008,103) | | (1,008,103) |
| WSTF-Capital Grants (Computers) | 206,500 | | 206,500 |
| Suplus/Deficit for the year | | 7,947,374 | 7,947,374 |
| As at 30th June 2020 | 7,123,641 | 26,579,904 | 33,703,545 |
| As at 1st July 2020 | 7,123,641 | 26,579,904 | 33,703,545 |
| Armotisation of Capital Grant | (906,944) | | (906,944) |
| WSTF-Capital Grants (Computers) | 19,000 | | 19,000 |
| WSTF -Pipe and Fittings | 6,586,096 | | 6,586,096 |
| Water meters | | | - |
| Suplus/Deficit for the year | | 2,229,811 | 2,229,811 |
| AS at 30 June 2021 | 12,821,793 | 28,809,714 | 41,631,507 |

XVI.STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

| | Notes | 2020-2021 | 2019-2020 |
|---|----------|---------------------|-------------------|
| Cash flow from operating activities | | KSH | KSH |
| Net deficit/Surplus for the year | | 2,229,811 | 7,947,374 |
| Adjustment of non cash items | | | |
| Armotisation of Capital Grant | 9a | (906,944) | (1,008,103) |
| Depreciation charge | 15 | 4,165,814 | 4,687,814 |
| Amortisation of intangible asset | 15 | 1,333,333 | 1,333,333 |
| | | 6,822,013 | 12,960,418 |
| Working Capital Changes | | | |
| Decrease in inventory | 12 | 58,661 | 441,778 |
| Increase inTrade & other receivables | 12 | (2,676,071) | (7,123,426) |
| Increase inTrade & other payables | 12 | 459,057 | 2,094,953 |
| Net Cash flow from operating activities | | 4,663,661 | 8,373,723 |
| Cash flow from Investing activities | | | |
| Aquisition of Property,Plant & Equipment | 15 | (8,727,596) | (6,317,000) |
| WIP | 14 | (6,559,811) | (2,591,631) |
| Net Cash flow before financing activities | | (10,623,746) | (534,908) |
| Cash flow from Financing activities | | | |
| Increase In Capital Reserves | 9a | 6,605,096 | 206,500.00 |
| Net increase in cash and cash equivalents | | (4,018,650) | (328,408) |
| Cash and cash equivalents as at 1st July 2020 | 6 | 11,274,042 | 11,602,450 |
| Cash and cash equivalents as at 30th June 2021 | 6 | 7,255,392 | 11,274,042 |

Imetha water and sanitation company.
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VII.STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30 JUNE 2021

| | Original budget | Adjustment/Supplementary | Final budget | Actual on comparable basis | Performance Difference |
|---------------------------------|------------------------|---------------------------------|---------------------|-----------------------------------|-------------------------------|
| | 2020-2021 | | 2020-2021 | 2020-2021 | 2020-2021 |
| Revenue | Kshs | | Kshs | Kshs | Kshs |
| Government grants and subsidies | 1,165,620 | - | 1,165,620 | 1,165,620 | - |
| Water sales | 44,709,579 | (2,537,531) | 42,172,048 | 42,377,517 | (205,469) |
| sewerage | 1,376,270 | 350,000 | 1,726,270 | 1,761,870 | (35,600) |
| Reconnection fees | 3,000,000 | (1,000,000) | 2,000,000 | 1,557,592 | 442,408 |
| Labour charges | 1,230,000 | (182,000) | 1,048,000 | 630,843 | 417,157 |
| Other income | | | 926,906 | 926,906 | - |
| water Meters | | | | | - |
| Water chemicals | 450,486 | | 915,705 | 915,705 | - |
| CSLG-Variable Grant | | | 5,947,704 | 5,899,620 | 48,084 |
| CSLG-Fixed Grant | | | 6,586,096 | 6,634,180 | (48,084) |
| Amorisation of capital Grants | | | | | - |
| wstf -income | | | 3,163,281 | 3,163,281 | |
| Total income | 51,931,955 | (3,369,531) | 65,651,630 | 65,033,135 | 618,495 |

Imetha water and sanitation company.
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| | | | | | |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| EXPENSES | | | | | |
| Personnel Costs | | | | | |
| Salaries ,Wages & Allowances | 21,744,146 | (800,000) | 20,944,146 | 20,810,660 | 133,486 |
| Administration Expenses | | | | | |
| Postage & Telephone | 324,000 | | 324,000 | 323,252 | 748 |
| Travelling and Subsistence | 1,384,488 | 270,000 | 1,654,488 | 1,662,453 | (7,965) |
| Advertising and Publicity | 200,000 | (44,000) | 156,000 | 155,248 | 752 |
| Fees,Levies and Permits | 3,980,038 | | 3,980,038 | 3,350,948 | 629,090 |
| General Expenses | 194,488 | | 194,488 | 186,083 | 8,405 |
| Office Stationery | 100,000 | 95,000 | 195,000 | 196,064 | (1,064) |
| Professional Services | 150,000 | (84,000) | 66,000 | 66,000 | - |
| Security | 360,000 | (12,000) | 348,000 | 348,000 | - |
| Electricity & Water | 401,740 | 260,516 | 662,256 | 661,384 | 872 |
| Transport Hire | 10,000 | | 10,000 | - | 10,000 |
| Training Expenses | 461,488 | 16,000 | 477,488 | 476,720 | 768 |
| Official Catering | 315,396 | 70,000 | 385,396 | 384,702 | 694 |
| Insurance | 430,772 | (216,000) | 214,772 | 178,630 | 36,142 |
| Uniforms | 344,367 | 11,500 | 355,867 | 360,158 | (4,291) |
| Meetings and Conferences | 256,403 | 266,000 | 522,403 | 531,282 | (8,879) |
| Directors Expenses | 415,488 | 295,000 | 710,488 | 713,185 | (2,697) |
| Audit fee Expenses | 232,000 | | 232,000 | 232,000 | - |
| Waspa subscriptions | 55,000 | 10,000 | 65,000 | 65,000 | - |
| Computer repairs | 70,600 | 60,000 | 130,600 | 130,764 | (164) |
| News papers and periodicals | 31,680 | | 31,680 | 32,520 | (840) |
| Corporate Governance | 506,000 | 100,900 | 606,900 | 606,900 | - |
| Bank Charges | 73,500 | (30,000) | 43,500 | 44,228 | (728) |
| social responsibilities | 50,000 | (50,000) | - | | - |
| Increase in provision For Bad Debts | | | | 296,187 | (296,187) |
| Depreciation | | | - | 5,499,148 | (5,499,148) |
| Amortisation reserve | | | | | |
| Billing Sytem Development | 300,000 | | 300,000 | 300,000 | - |
| Internet | 276,000 | 160,000 | 436,000 | 440,975 | (4,975) |
| Cloud Hosting | 190,000 | | 190,000 | 180,000 | 10,000 |
| office repairs | 445,477 | 330,000 | 775,477 | 774,758 | 719 |
| billing SMS | 288,000 | 40,000 | 328,000 | 180,000 | |
| Water analysis | 81,600 | (70,000) | 11,600 | 8,990 | 2,610 |
| Strategic plan | 600,000 | 1,371,000 | 1,971,000 | 1,976,120 | (5,120) |
| web site | 50,000 | 80,000 | 130,000 | 130,000 | |
| Corporation branding | 225,619 | 75,200 | 300,819 | 291,500 | 9,319 |
| Total Administration Cost | 12,804,144 | 3,005,116 | 15,809,260 | 20,783,198 | (5,121,938) |
| Payments to Creditors | 5,350,000 | (880,000) | 4,470,000 | 4,432,716 | 37,284 |
| Operation and Maintenance | - | | | | |
| Chemicals | 1,501,620 | (400,000) | 1,101,620 | 975,781 | 125,839 |
| Repair & Maintainance | 5,339,714 | 3,755,763 | 9,095,477 | 9,102,759 | (7,282) |
| Motor Expenses | 750,331 | 135,000 | 885,331 | 885,122 | 209 |
| Fuel ,Oils & lubricants | 1,560,000 | 75,000 | 1,635,000 | 1,638,544 | (3,544) |
| Rent and Rates | 162,000 | | 162,000 | 158,900 | 3,100 |
| Total Operation and Maintance | 9,313,665 | 3,565,763 | 12,879,428 | 12,761,106 | 118,322 |
| Other Capital expenses-capital | 3,170,000 | 5,665,515 | 8,835,515 | 8,016,696 | 818,819 |
| WSIF Expenses | | | 3,163,281 | 1,862,265 | 1,301,017 |
| Total Expenditure | 52,381,955 | 11,436,394 | 66,101,630 | 68,666,640 | (4,051,311) |
| Adjustments for grants | | | | | |
| Water meters | 450,000 | 6 | 450,000 | | 450,000 |
| Water chemicals | | | | | |
| Total expenditure | 51,931,955 | 11,436,394 | 65,651,630 | 68,666,640 | |
| Surplus for the period | | | | 2,229,811 | |

EXPLANATION OF THE VARIANCES BETWEEN BUDGET AND ACTUALS AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021.

Revenue

- *There was decline in government Grants and subsidies because 9 No staff seconded by the county Government of Meru were taken back.*
- *The Company Received Grant from Wate Sector Trust Fund to Complete the Decentralised Treatment Facility and 200 No Pour Flash Toilet.*
- *The company received grants in form of water chemicals.*
- *Water sector trust fund give the company kshs 12,533,800 for covid money to boost the liquidity of the company*

XVIII. 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.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

| Amendment/Interpretation to a standard | Effective date | Impact: The standard has no impact on the financial statements of Imetha water and sanitation Company |
|---|--|--|
| IAS 39-Financial Instruments: Recognition and Measurement | IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments. | The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted. |
| IFRS 4- Insurance Contracts (Superseded) | IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to | The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted |

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| Amendment/Interpretation to a standard | Effective date | Impact: The standard has no impact on the financial statements of Imetha water and sanitation Company |
|--|--|---|
| | consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts. | |
| IFRS 7- Financial Instrument Disclosures | IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters. | The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted |
| IFRS 16- Leases | IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained | The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted |

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

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 2021.*

| Amendment/Interpretation to a standard | Effective date | Impact: The standard has no impact on the financial statements of Imetha Water and Sanitation Company. |
|--|--|---|
| IAS 1 — Presentation of Financial Statements | IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. | The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted |

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| | | |
|--|--|---|
| IAS 12 — Income Taxes | IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. | Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. |
| IAS 16 — Property, Plant and Equipment | IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life. | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. |

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| | | |
|---|--|--|
| IAS 37 — Provisions, Contingent Liabilities and Contingent Assets | IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable). | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. |
| IAS 41 — Agriculture | IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell. | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted |
| IFRS 1 — First-time Adoption of International Financial Reporting Standards | IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period. | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted |

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| | | |
|--------------------------------|--|--|
| IFRS 3 — Business Combinations | IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier |
| IFRS 17 — Insurance Contracts | IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. | The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.] |

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

iii Early adoption of standards

The entity did not -adopt any new or amended standards in the year 2021

III 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. 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.

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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

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

Depreciation:

This has been calculated on reducing balance method pro-rata to time of purchase using 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% |

e) Depreciation and impairment of property, plant and equipment (Continued)

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

f) 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.

g) 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.

h) Finance and operating leases

Leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

i) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handing charges, and is determined on the moving average price method.

j) Trade and other receivables

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

A provision of 10% is made on all receivables.

k) Taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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

L) 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash Imprest and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

M) Trade and other payables

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

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N) Provision for staff leave pay

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

O) 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, 2020.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

| INCOME | 2020-2021 | 2019-2020 |
|-------------------|-------------------|-------------------|
| Water Sales | 42,377,517 | 40,206,815 |
| Reconnection Fees | 1,557,592 | 978,758 |
| Labour Charges | 630,843 | 720,379 |
| Sewerage | 1,761,870 | 1,375,866 |
| Total | 46,327,823 | 43,281,818 |

NOTE 2

| Other Incomes | 2020-2021 | 2019-2020 |
|-------------------------------|-------------------|-------------------|
| Sundry income | 19,962 | 6,685 |
| Ministry of water-chemicals | 915,705 | |
| CLSG-WSTF | 5,947,704 | |
| Armotisation of Capital Grant | 906,944 | 1,008,103 |
| WSIF fund | 3,163,281 | 11,948,005 |
| | 10,953,596 | 12,962,793 |

NOTE 3

| | 2020-2021 | 2019-2020 |
|-----------------------------------|-------------------|-------------------|
| County Government of Meru subsidy | 1,165,620 | 2,210,425 |
| Total subsidies | 1,165,620 | 2,210,425 |
| Grand total income | 58,447,038 | 58,455,036 |

NOTE 4

| | 2020-2021 | 2019-2020 |
|------------------------|-------------------|-------------------|
| Personnel Costs | | |
| GOK Salaries | 1,165,620 | 2,210,425 |
| Salaries & Wages | 18,519,131 | 17,811,011 |
| staff welfare | 190,800 | 174,580 |
| Gratuity | 338,108 | 714,566 |
| Pension | 448,601 | 402,971 |
| NSSF | 148,400 | 150,400 |
| | 20,810,660 | 21,463,954 |

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NOTES TO THE FINANCIAL STATEMENTS

| NOTE 5 | 2020-2021 | 2019-2020 |
|-------------------------------------|-------------------|-------------------|
| Administrative Costs | KSH | KSH |
| Postage & Telephone | 323,252 | 551,497 |
| Travelling and Subsistence | 1,662,453 | 1,739,850 |
| Advertising and Publicity | 155,248 | 139,160 |
| Fees, Levies and Permits | 3,350,948 | 1,747,813 |
| General Expenses | 186,083 | 368,847 |
| Office Stationery | 196,064 | 175,292 |
| Professional Services | 66,000 | - |
| Security | 348,000 | 338,000 |
| Electricity & Water | 661,384 | 428,993 |
| Transport Hire | - | - |
| Training Expenses | 476,720 | 276,285 |
| Official Catering | 384,702 | 325,108 |
| Insurance | 178,630 | 350,772 |
| Uniforms | 360,158 | 264,580 |
| Meetings and Conferences | 531,282 | 553,994 |
| web cost | 180,000 | 285,000 |
| Directors Expence | 713,185 | 680,230 |
| Audit fee Expenses | 232,000 | 232,000 |
| Waspa subscriptions | 65,000 | 55,000 |
| Computer reapears | 130,764 | 44,050 |
| Corporate gonernance training | 606,900 | - |
| News papers and periodicals | 32,520 | 29,160 |
| Increase in provision for bad debts | 296,187 | 787,340 |
| Bank Charges | 44,228 | 44,490 |
| Billing System Development | 300,000 | 300,000 |
| Office repairs | 774,758 | 349,880 |
| Internet | 440,975 | 248,500 |
| water effluent | 8,990 | 15,000 |
| Strategic Plan | 1,976,120 | - |
| Corporation Branding | 291,500 | - |
| Website | 130,000 | - |
| Billing sms | 180,000 | - |
| | 15,284,050 | 10,330,841 |

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NOTES TO THE FINANCIAL STATEMENTS

| NOTE 6 | 2020-2021 | 2019-2020 |
|-------------------------------------|------------------|-------------------|
| Cash and cash equivalents | KSH | KSH |
| Bank : Current Co-op 01120023210300 | 533,993 | 434,701 |
| Current Borehole 01136023210300 | 25,291 | 8,490 |
| Savings Co-op 0110003210300 | 5,694,366 | 4,557,255 |
| Capital Sacco | 53,419 | 55,079 |
| Co-op Bank -01148023210303 | 936,827 | 6,203,640 |
| Equity Bank-1040280468054 | 1,976 | - |
| Cash at hand | 9,521 | 14,877 |
| | 7,255,392 | 11,274,042 |

| NOTE 7 | 2020-2021 | 2019-2020 |
|------------------------------------|-------------------|-------------------|
| TRADE AND OTHER RECIEVABLES | | KSH |
| Bal b/d | 37,447,090 | 29,573,689 |
| Bills For the year | 44,139,387 | 41,582,681 |
| Total bills | 81,586,478 | 71,156,370 |
| Less Bills received | 41,177,521 | 33,709,280 |
| Total bills recievable | 40,408,957 | 37,447,090 |
| Less 10% provision for bad debts | 4,040,896 | 3,744,709 |
| Staff debts | 664,668 | 664,668 |
| Unsurrendered imprest | 565,424 | 565,424 |
| prepayments | 51,756 | 18,900 |
| WSTF | | 22,465 |
| Net recievables | 37,649,909 | 34,973,838 |

| NOTE 8 | 2020-2021 | 2019-2020 |
|---------------------------------------|-------------------|-------------------|
| Trade and other payables | KSH | KSH |
| Trade creditors | 21,223,250 | 22,668,179 |
| Accruals | 4,494,523 | 2,987,787 |
| Customer Water deposits | 13,231,850 | 12,786,600 |
| Provision for audit fees | 232,000 | 232,000 |
| Audit fees payable | 1,426,000 | 1,474,000 |
| Total Trade and other payables | 40,607,623 | 40,148,566 |

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NOTE 9

Capital and Reserves

a) Capital Reserve (Deferred Income)

Grants from WSTF

WSTF- capital Grants Computers

Armotisation of capital grant

| | 2020-2021 | 2019-2020 |
|--|-------------------|------------------|
| | 7,123,641 | 7,925,244 |
| | 6,586,096 | |
| | 19,000 | 206,500 |
| | (906,944) | (1,008,103) |
| | 12,821,793 | 7,123,641 |

b) Revenue Reserves

At start

Surplus/Deficit for the year

Total reserves

| | 2020-2021 | 2019-2020 |
|--|-------------------|-------------------|
| | 26,579,904 | 18,632,530 |
| | 2,229,811 | 7,947,374 |
| | 28,809,714 | 26,579,904 |
| | 41,631,507 | 33,703,545 |

NOTE 10

INVENTORY

Stationery

Meters

Chemicals

pipe and fittings

Motor Expenses

computer and accessories

| | 2020-2021 | 2019-2020 |
|--|------------------|------------------|
| | 174,770 | 191,189 |
| | - | 720,000 |
| | 666,405 | 174,049 |
| | 1,176,812 | 973,660 |
| | 20,700 | 47,550 |
| | 21,600 | 12,500 |
| | 2,060,287 | 2,118,948 |

NOTE 11

Operation and Maintenance

Chemicals

Repair & Maintainance

Motor Expenses

Fuel ,Oils & lubricants

Rent and Rates

| | 2020-2021 | 2019-2020 |
|--|-------------------|------------------|
| | | KSH |
| | 975,781 | 1,249,226 |
| | 9,102,759 | 5,658,769 |
| | 885,122 | 970,629 |
| | 1,638,544 | 1,516,072 |
| | 158,900 | 156,000 |
| | 12,761,106 | 9,550,696 |

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 12

| NOTES TO THE STATEMENT OF CASH FLOW | 2020-2021 | 2019-2020 |
|---|------------------|-------------------|
| a) Reconciliation of operating profit/loss to cash generated from operations | | |
| Operating profit | 2,229,811 | 7,947,374 |
| Amortisation of capital grants | (906,944) | (1,008,103) |
| Depreciation | 4,165,814 | 4,687,814 |
| Amortisation of intangible asset | 1,333,333 | 1,333,333 |
| Operating profit before working capital changes | 6,822,013 | 12,960,418 |
| Decrease in inventories | 58,661 | 441,778 |
| Increase in trade payables | 459,057 | 2,094,953 |
| Increase in trade receivables | (2,676,071) | (7,123,426) |
| Cash generated from operations | 4,663,661 | 8,373,723 |
| b) Analysis of cash and cash equivalents | | |
| cash at bank | 7,245,871 | 11,259,165 |
| cash in hand | 9,521 | 14,877 |
| Balance at end of the year | 7,255,392 | 11,274,042 |

NOTE 13

| WSTF Expenses | 2020-2021 | 2019-2020 |
|--------------------------|------------------|------------------|
| Transport | 80,525 | 161,065 |
| Telephone and postage | 6,000 | 13,500 |
| Stationeries | 38,050 | 17,550 |
| Uniforms | 7,500 | 32,000 |
| Marketing | 4,000 | 48,000 |
| Salary | 127,890 | 243,908 |
| Environmental assessment | - | 193,000 |
| Toilet construction | 1,565,000 | 2,405,000 |
| Meetings | 20,300 | 27,000 |
| Office repairs | 13,000 | |
| | 1,862,265 | 3,141,023 |

NOTE 14

| WIP | 2020-2021 | 2019-2020 |
|-----------------|------------------|------------------|
| Opening balance | 2,591,631 | |
| For the year | 6,559,811 | 2,591,631 |
| | 9,151,442 | 2,591,631 |

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NOTE 15
PROPERTY, PLANT AND EQUIPMENT

| COST | METERS KSH | MOTOR CYCLES KSH | FURNITURE & EQUIPMENT KSH | COMPUTERS & ELECTRONICS KSH | PIPES & FITTINGS KSH | WATER | MOTOR VEHICLES KSH | LOOSE TOOLS KSH | LAND KSH | TOTAL KSH |
|---------------------|---------------|------------------------|---------------------------------|-----------------------------------|----------------------------|---------------------------------------|--------------------------|-----------------------|-------------|--------------|
| | | | | | | TREATMENT PLANT & EQUIP. KSH | | | | |
| As at 1/7/20 | 19,262,555 | 2,505,920 | 830,530 | 2,599,859 | 23,301,579 | 3,177,635 | 8,891,100 | 17,127 | 290,000 | 60,876,305 |
| NET ADDITIONS | 200,000 | 817,000 | 25,000 | 388,600 | 6,586,096 | | | | | 8,016,696 |
| OPENING STOCK | 720,000 | | | 12,500 | | | | | | 732,500 |
| closing stock | | | | (21,600) | | | | | | (21,600) |
| Disposal | | | | | | | | | | - |
| As at 30/6/21 | 20,182,555 | 3,322,920 | 855,530 | 2,979,359 | 29,887,675 | 3,177,635 | 8,891,100 | 17,127 | 290,000 | 69,603,901 |
| DEPRECIATION | | | | | | | | | | |
| As at 1/7/20 | 11,710,413 | 2,383,006 | 536,977 | 1,913,450 | 17,541,913 | 1,891,572 | 3,322,769 | 15,886 | - | 39,315,987 |
| Charge for the year | 1,000,657 | 153,228 | 39,819 | 266,923 | 1,151,933 | 160,758 | 1,392,083 | 413 | - | 4,165,814.26 |
| Disposal | - | - | - | - | - | - | - | - | - | - |
| As 30/6/21 | 12,711,070 | 2,536,234 | 576,796 | 2,180,373 | 18,693,846 | 2,052,330 | 4,714,852 | 16,300 | - | 43,481,801 |
| NET BOOK VALUE | | | | | | | | | | |
| AS at 30/6/21 | 7,471,485 | 786,686 | 278,734 | 798,986 | 11,193,829 | 1,125,305 | 4,176,248 | 827 | 290,000 | 26,122,100 |
| As at 30/6/20 | 8,328,522 | 122,914 | 293,553 | 686,409 | 5,759,666 | 1,469,787 | 5,568,331 | 1,241 | 290,000 | 21,560,318 |

INTAGIBLE ASSET

| COST | | BILLING SOFT WARE |
|---------------------|----------|-------------------|
| | | KSHS |
| | | 4,000,000 |
| AMORTISATION | | |
| | 1/7/2020 | 2,666,667 |
| Charge for the year | | 1,333,333 |
| Total Amortisation | | 4,000,000 |
| NET BOOK VALUE | | |
| AS AT 30/06/2021 | | (0) |

NOTES TO THE FINANCIAL STATEMENTS

17 RETAINED EARNINGS

The retained earnings represent amounts available for distribution to the *Imetha water and sanitation company's* shareholders. Undistributed retained earnings are utilised to finance the *Imetha water and sanitation company's* business activities.

18. RELATED PARTY DISCLOSURES

Government of Kenya

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

There were no other *Imetha water and sanitation company* transactions involving the Government of Kenya.

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

Subsidy from the Government

| Grants | 2020-2021 | 2019-2020 |
|---------------------|------------------|------------------|
| Meru County subsidy | 1,165,620 | 2,210,425 |
| | Kshs. | Kshs |

Key Management's Compensation

| Director's Emoluments | 2020-2021 | 2019-2020 |
|------------------------------|------------------|------------------|
| Director Emoluments | 713,185 | 680,230 |

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19. CONTINGENT LIABILITIES

There was no contingent liability in the period

18. 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.

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.

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

21. INCORPORATION

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

22. EVENTS AFTER THE REPORT PERIOD.

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

23. CURRENCY

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

APPENDIX I

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.

| Reference No. | Issue/Observations from Auditor | Management Comments | Focal Point person to resolve | Status: Resolved/N or Resolved | Time Frame |
|---------------|--|------------------------------|-------------------------------|--------------------------------|------------|
| 1.1 | Revenue reserve as at 30 June 2020 Statement of Changes in Equity | The statements was rectified | Commercial Manager | resolved | |
| 1.2 | Other Income performance difference Statement of comparison of budget and actual amount | The statement was rectified. | Commercial Manager | Resolved | |
| 1.3 | Total Income - Performance difference Statement of comparison of budget and actual amount | The statements was rectified | Commercial Manager | Resolved | |
| 1.4 | Total expenditure - Adjustment/ Supplementary Statement of comparison of budget and actual amount | The statements was rectified | Commercial Manager | Resolved | |
| 2.1 | Surplus for the | The statements was | Commercial | Resolved | |

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| | | | | | |
|-----|---|------------------------------|--------------------|----------|--|
| | period Statement of comparison of budget and actual amount | rectified | Manager | | |
| 2.2 | Total Expenditure Statement of profit or loss and other comprehensive income | The statements was rectified | Commercial Manager | Resolved | |
| 3.0 | Positive working capital Statement of financial position | The statements was rectified | Commercial Manager | Resolved | |
| 1.1 | Cash at hand and bank Statement of financial position | The statements was rectified | Commercial Manager | Resolved | |
| 1.2 | Total Current Assets Statement of financial position | The statements was rectified | Commercial Manager | Resolved | |
| 2.0 | Total Current Liabilities Statement of financial position | The statements was rectified | Commercial Manager | Resolved | |
| 3.0 | Net working capital Statement of financial position | The statements was rectified | Commercial Manager | Resolved | |
| 1.0 | Variance Between the Actual Revenue in the Statement of | The errors were rectified | Commercial Manager | Resolved | |

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| | | | | | |
|-----|---|---------------------------|--------------------|----------|--|
| | Comparison of Budget and Actual amount and the figure reported in the Notes to Financial Statements | | | | |
| 1.2 | Variances Between Balances in the Financial Statements and The Supporting Ledgers | | Commercial Manager | Resolved | |
| 1.3 | Failure to Present Bank Reconciliation Statements to County Treasury | The errors were rectified | Commercial Manager | Resolved | |
| 3.1 | | | | | |

Chief Executive Officer
Joseph K. Mberia



Date: 03/12/2020

Chairman Board of Directors
De Mworia Mugambi



Date: 03/12/2020

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APPENDIX II
PROJECTS IMPLEMENTED BY THE ENTITY

During the year under review the company was funded by Water Sector Trust Fund to construct a decentralised treatment facility and 211 no pour flush toilet

The Company received fund from water sector trust fund to provide short term liquidity support. TO maintain operations and service levels during covid-19 crisis. The company received fixed grant for capital expenditure to be used for simple quick start quick finish(QSQF) Interventions to be completed within three Months.

| Project title | Project No | donor | Period duration | Donor commitment | Separate donor reporting required as per the donor agreement | Consolidated these financial statements |
|------------------------|------------|-------------------------|-----------------|------------------|--|---|
| Mitunguu UBSUP project | 1 | Water Sector Trust Fund | 1year | 12,154,505 | yes | yes |
| Fixed Grant | 1 | Water sector trust fund | 3months | 6,634,180 | yes | yes |

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APPENDIX III
INTER-ENTITY TRANSFERS

The company has received the salary subsidy for staff seconded from the county government of Meru

| NOTE 3 | 2020-2021 | 2019-2020 |
|-----------------------------------|------------------|------------------|
| County Government of Meru Subsidy | 1,165,620 | 2,210,425 |
| Total subsidies | 1,165,620 | 2,210,425 |

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**APPENDIX IV
RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

There was no any transfer from any government entity

