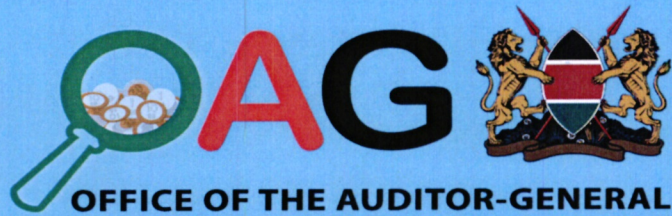


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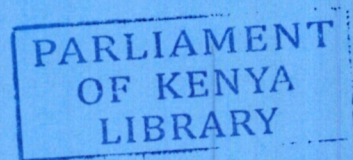


Enhancing Accountability

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REPORT

OF



THE AUDITOR-GENERAL

ON

**IMETHA WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2022**



IMETHA WATER AND SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2022**

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

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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 commitee</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 Commitee</p>

**Imetha water and sanitation company.
Annual Reports and Financial Statements
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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>
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	<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:</p>	<p>Higher National Diploma in Water Engineering</p>
<p>3.Mr Patrick Mugendi</p> 	<p>Date of birth 1978 Key profession/ Academic qualification:</p>	<p>Bachelor's degree Human resource Development Studies & Economics.</p>
<p>4.Winfred Mukiri</p> 	<p>Date of birth 1986</p>	<p>Key profession/ CPA K, Bachelor's degree in Commerce Banking and Finance option</p>
	<p>Responsibility: Commercial Manager</p>	<p>September 2012-to Date</p>

IV. CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30TH JUNE 2022

It is my pleasure to present the financial statements for the 2021-2022 for the Imetha water and sanitation company. The financial statements are the yardstick which measures the financial performance of the company for the period in review. Despite the challenges occasioned by worldwide economic crisis, we continued to provide water and sanitation services in our area of jurisdiction. The company experienced water shortage as a result of the prolonged drought. This forced us to provide water to our customers through rationing programmes.

Financial Performance

The company continued to provide services albeit hard economic conditions and harsh climatic conditions. Despite the harsh conditions, the turnover dropped from Kshs 58,447,039 million to Kshs 54,306,969 million as compared to the previous financial year. In order to cushion water service providers, the Water Sector Trust Fund disbursed Kshs 5,659,133 million as a conditional grant. The funds were utilized as per the terms and conditions of the World Bank.

Water Infrastructure

During the period, the company embarked on addressing water coverage and improvement of distribution lines by utilizing the internally generated funds. Through the 1st cycle RRI, the company installed a 2 kilometres 90mm HDPE distribution pipeline in Nkubu scheme. A 4 kilometres raw water pipeline was exposed in Timau in order to remove the illegal water connections. Some 250 customer water meters were bought to replace the old and faulty meters as well as installation on connections hitherto charged on flat rate.

The county government of Meru assisted the company in the construction of an intake structure at Kanyakine scheme.

Performance Ranking

A performance report by the Water Services Regulatory Board ranked the company position 49 nationally with 66 points an improvement from position 56 with 54 points the previous period. The water service provision is governed by the Water Act 2016. Consequently, during the year the company negotiated for

Imetha water and sanitation company.
Annual Reports and Financial Statements
For the year ended June 30, 2022

the water service provision licence with WASREB. This was successful whereby the company qualified for a two years interim operating license.

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

On behalf of the Board of directors, I would like to thank our customers, development partners especially, the World Bank for cushioning us on the COVID 19 Pandemic 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 Mworia 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 2021/2022. During the year, the company dropped on its operating income to 54,306,969 million in comparison to the previous year's Kshs. 58,447,038 million. The drop was as a result of the prolonged drought which led to the reduction of the water at the sources. the economic crisis experience worldwide was also a factor to the drop since the customers could be able to clear their water bills. However, the trade debtors increased by Kshs **1,674,081** 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

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 world Bank, in collaboration with the WSTF, WASREB and the County Government of Meru funded the company with Kshs 5,459,198 as variable grant under the Conditional Liquidity Support Grant (CLSG) to cushion the WSP from COVID 19 Pandemic effects. The fund was used in the payment of suppliers and staff salaries.

The County government of Meru constructed an intake works at Kanyakine for the company at a cost of Kshs 4 million. The Company, through internally generated funds, rehabilitated 2 kilometres of 90mm diameter HDPE pipeline at Nkubu scheme at a cost of Kshs 2,232,825 under the 1st cycle RRI initiative. The company also bought 250 customer meters at a cost of Kshs 368,000. These were to replace the faulty meters as well as installation on connections charged on flat rate. The company exposed a 4 kilometres raw water pipeline in Timau scheme in an effort to remove the illegal connection at a cost of Kshs 1,500,000 one million five hundred thousand 78 illegal connections were removed in this exercise.

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. Those who didn't heed to our call have a chance to come and enter into payment arrangement on how to settle their bills. On behalf of the management, I would like to thank our customers for their continued support they have given us throughout the period.

Non -Revenue Water

The company like any other water service provider is faced with problem of water losses that currently stand at 40 percent, an improvement from 42 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, leakages and bursts of old and dilapidated pipelines and pipeline damages caused by road contractors. In order to reduce the NRW, the company has implemented several interventions among them investigating and liaising with the authorities 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).

Staff

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

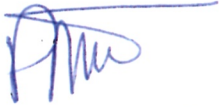
Conclusion

I take this opportunity to thank the County Government of Meru for assisting the company in the construction of Kanyakine intake. 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 the continued guidance and support they provide to the Company.

Imetha water and sanitation company.
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For the year ended June 30, 2022

Regards



Patrick Mugendi

Ag 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 2021/2022

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 2021/2022

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

- 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:

Imetha water and sanitation company.
Annual Reports and Financial Statements
For the year ended June 30, 2022

During the financial year 2021/2022 the board held 14 meetings. The details of the attendance at these meetings are as set out below:

NAME OF THE DIRECTOR	FULL BOARD MEETING		NAME OF THE COMMITTEE	COMMITTEE MEETING	
	ATTENDED	ELIGIBLE TO ATTEND		ATTENDED	ELIGIBLE TO ATTEND
Dr. Mugambi Mworira	4	4	Audit Finance Technical	1 4 3	
Francis Mungai	4	4	Audit Finance Technical	2 4 3	3 4 3
Ms. Elizabeth Kanini	4	4	Audit Finance Technical	3 4 3	3 4 3
Mr. Jackson Muthamia	3	4	Audit Finance Technical	3 1 2	3 4 3

In addition to the above, the board held 3 special meetings during the financial year.

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 2022, the company's revenue was **Kshs 54,306,969** compared to the **Kshs 58,447,038** of the year ended 30th June 2021. The reason for the decline in income was majorly attributed to climate change therefore leading to lack of enough water hence low billing. water sector trust fund has given the company a variable grant of kshs 5,659,133 to improve the liquidity of the company.

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 2022, expenditure of **59,550,550** as compared to **Kshs 56,217,228** in the previous year was incurred.

Liquidity

In the financial year ending June 2022, there was increase in receivable by **kshs 1,674,081** this is attributable to by unpaid bills due to inaquate water resulting from prolonged dry spell . There was also a increase in accounts payables this is because the company was not able to settle some of the debts, e.g. WRMA and TWSB due to financial constraints. The company had a positive working capital of **Kshs 2,653,482** this was due to the money received from water sector trust fund to enhance liquity of the company.

As at 30th June 2022 the company had **Kshs 8,047,550** as cash at hand and bank, inventory of **Kshs 1,429,398**. The total current assets were **Kshs 48,800,939** and the total current liabilities was **Kshs 46,147,456** therefore the company had a net working capital of **Kshs 2,653,482**

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 its 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 organisations 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 its products, ensures that its marketing and advertisements campaign are conducted using fair language. They are morally upright and adhere to other fair marketing and advertising practices. The entity is in process of 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 has protected water catchment areas by planting trees and creating awareness to the 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 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, 2022 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, 2022 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. Mworija Mugambi

Chairman of Directors

Meru County Urban Water & Sanitation Services Corporation

XI.STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the *Imetha water and sanitation company's* financial statements, which give a true and fair view of the state of affairs of the *Imetha water and sanitation company* for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *Imetha water and sanitation company*; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *Imetha water and sanitation company*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

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

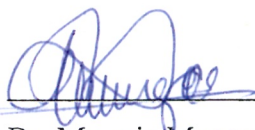
**Imetha water and sanitation company.
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For the year ended June 30, 2022**

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, 2022** and signed on its behalf by:



Dr. Mworia Mugambi
Chairman Board of Directors



Patrick Mugendi
A.G Chief Executive Officer

REPUBLIC OF KENYA



Enhancing Accountability

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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, 2022

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 notice, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements for the year ended 30 June, 2022 set out on pages 1 to 34, which comprise the statement of financial position as at

30 June, 2022 and statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Imetha Water and Sanitation Company Limited as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012 and the Water Act, 2016.

Basis for Qualified Opinion

1. Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalent balance of Kshs.8,047,592 out of which Kshs.812,336 held in a current Cooperative Account. However, the bank reconciliation statement for the account reflects uncredited receipts of Kshs.411,293 dating as far back as year 2021 that have not been updated in the books of account.

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.8,047,592 as at 30 June, 2022 could not be confirmed.

2. Customer Deposits

The statement of financial position reflects trade payables and accruals balance of Kshs.46,147,456. The balance includes customer deposits of Kshs.13,569,350 which differed with the bank statement balance of Kshs.6,158,344 resulting to unexplained variance of Kshs.7,411,006.

Further, and as reported in the previous year, the Company used Kshs.6,000,000 out of the customer deposits to purchase a motor vehicle registration number KCP 605K contrary to Section 53(1) of Public Finance Management (County Governments) Regulations, 2015 which stipulates that except as provided for in the Act and these Regulations, an Accounting Officer of an entity may not authorize payment to be made out of funds earmarked for specific activities for purposes other than those activities.

In the circumstances, the accuracy, existence and completeness of the customer deposits balance of Kshs.13,569,350 as at 30 June, 2022 could not be confirmed. In addition, Management was in breach of the law.

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

1. Increase in Trade Payables

The statement of financial position and as disclosed in Note 8 to the financial statements reflects a balance of Kshs.46,147,456 which is an increase of Kshs.5,539,833 from Kshs.40,607,623 reported in the year ended 30 June, 2021. Although the statement of financial position reflects a positive working capital, the continued increase in trade and other payables may be an indication that the Company's continued ability to settle financial obligations as and when they fall due is becoming doubtful.

In the circumstances, if proper mechanisms are not put in place to reverse the trend of increasing trade payables, the Company's future liquidity seems threatened.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year reflects approved revenue budget of Kshs.62,160,925 and actual revenue of Kshs.54,306,969 resulting to revenue budget shortfall of Kshs.7,853,956. The revenue shortfall could be an indicator of revenue leakages or revenue collected but not accounted for.

There is need for Management to review its budgeting mechanism with a view to coming up with a more realistic revenue budget.

3. Non-Revenue Water (NRW)

During the year under review, the Company produced 1,146,200 Cubic Meters (M³) of water. However, only 694,693 M³ were billed to customers while the balance of 451,507 M³ or approximately 39% of the total volume produced represented non-revenue water (NRW) which is 14% above the allowable loss of 25%. This compares adversely with Water Services Regulatory Board (WASREB) guidelines that allow a maximum loss (unaccounted water) of 25% for every cubic meter of water produced. The non-revenue water of 451,507 M³ may have resulted in loss of sales estimated at Kshs.27,248,447 at the rate of Kshs.60.35.

In the circumstances, the NRW loss of approximately Kshs.27,248,447 may negatively impact on the Company's profitability and its long-term sustainability.

4. Unmetered Billing

The statement of profit or loss and other comprehensive income and as disclosed in Note 1 to the financial statements reflects income amount of Kshs.45,619,283 which includes Kshs.41,922,173 in respect to water sales which further includes Kshs.12,136,395 relating 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.12,136,395 could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Personnel Matters

1.1 Affirmative Action on Gender, Ethnicity and Regional Distribution

Review of human resource records revealed that the Company had eighty-seven (87) employees out of which 70 or 80% were from the same ethnic dominant community. This is contrary to the requirement of Section 7(2) of the National Cohesion and Integration Act, 2008 and Section 65(e) of the County Governments Act, 2012 which requires a public establishment not to have more than one third of its staff from one ethnic community.

1.2 Lack of Salaries and Remuneration Commission Approval

During the year under review, the Board and Management of the Company incurred personnel costs of Kshs.20,446,640 out of which Kshs.18,450,215 was in respect of salaries and wages for staff. However, the salary scales and job groups applied by Management, were not authorised by the Salaries and Remuneration Commission. Furthermore, the Board minutes for the adoption and approval of the salary scales were not provided for audit review.

Consequently, 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. Long Outstanding Staff Debtors

The statement of financial position reflects trade and other receivables balance of Kshs.39,323,990 out of which Kshs.565,424 and Kshs.664,668 are in respect to unsurrendered imprests and staff debts all totalling Kshs.1,230,092 that have remained outstanding for over 10 years. Further, no evidence was provided to confirm any efforts by Management to recover the imprests.

It was not possible to confirm whether internal controls relating to staff debtors were effective and working as intended during the year under review.

2. Lack of an Information Technology Policy

The Company did not have an Information Technology Policy in place hence the data confidentiality, integrity and availability could be compromised contrary to Section 68(2)(c) of the Public Finance Management Act, 2012 which states that in the performance of a function under Sub-Section (1), an Accounting Officer shall ensure that all financial and accounting records the entity keeps in any form, including in electronic form are adequately protected and backed up.

The effective use and management of the Company's Information System could not be confirmed.

3. Inventory Management

The statement of financial position reflects inventory balance of Kshs.1,429,398. Review of documents provided and physical inspection revealed several obsolete items that needed to be disposed off. In addition, the Management did not have a disposal policy. Further, there were items in the store that were not taken on charge either on store cards, store ledgers or stock taking reports. This contravenes Section 53(4) of the Public Procurement and Asset Disposal Act, 2015 which states that all asset disposals shall be planned by the Accounting Officer concerned through annual asset disposal plan in a format set in the regulations.

The effectiveness of the Company's inventory management system and the related controls 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 control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015. In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related

disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 May, 2023

Imetha water and sanitation company.
Annual Reports and Financial Statements
For the year ended June 30, 2022

XIII. Statements of Profit or Loss and other Comprehensive Income for the year ended 30 June 2022

INCOME	NOTE	2021-2022	2020-2021
		Kshs	Kshs
Water Sales	1	45,619,283	46,327,823
County Government of Meru Susbsidy	3	928,713	1,165,620
Other Incomes	2	7,758,973	10,953,596
		-	-
Total Income		54,306,969	58,447,039
EXPENDITURE			
Personnel costs	4	20,446,640	20,810,660
Administrative costs	5	17,983,725	15,284,050
Operations and Maintenance	11	15,253,620	12,761,106
Depreciation charge	15	6,223,815	4,165,814
Amortisation of intgaible assets	15	-	1,333,333
WSTF expenses	13	80,000	1,862,265
Total Expenditure		59,987,801	56,217,228
Deficit/Surplus of Income		(5,680,832)	2,229,811

Imetha water and sanitation company.
Annual Reports and Financial Statements
For the year ended June 30, 2022

XIV.Statement of Financial Position As at 30 June 2022

	NOTES	2021-2022 Ksh	2020-2021 Ksh
ASSETS			
Non-current Assets			
Property plant and equipment	15	31,197,312	26,122,100
W.I.P	14		9,151,442
Total Non current assets		31,197,312	35,273,542
Current Assets			
Inventory	10	1,429,398	2,060,287
Trade and other Receivables	7	39,323,990	37,649,909
Cash and cash equivalents	6	8,047,592	7,255,392
		48,800,981	46,965,588
Current Liabilities			
Trade and other Payables	8	46,147,456	40,607,623
Total Current Liabilities		46,147,456	40,607,623
Net Current Assets		2,653,524	6,357,965
TOTAL ASSETS		33,850,836	41,631,507
EQUITY AND LIABILITIES			
Capital Reserves	9(a)	10,721,953	12,821,793
Revenue Reserves	9(b)	23,128,883	28,809,714
TOTAL EQUITY AND LIABILITIES		33,850,836	41,631,507

The financial statements were approved by the board on 28TH SEPTEMBER 2022 and signed on behalf.

Dr Mworia Mugambi

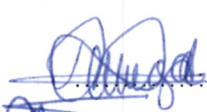


MR.Patrick Mugendi

CPA Winfred Mukiri ICPAK RG NO 17874

Chairman Board of Directors

A.G Chief Executive Officer

Commercial Manager

Imetha water and sanitation company.
Annual Reports and Financial Statements
For the year ended June 30, 2022

XV. Statement of Changes In Equity For The Year Ended 30 June 2022

	Capital Reserves	Revenue Reserves	Total
	KSHS	KSHS	KSHS
As at 1st July 2020	7,123,641	26,579,904	33,703,545
Arnotisation 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
Suplus/Deficit for the year		2,229,811	2,229,811
As at 30th June 2021	12,821,793	28,809,715	41,631,508
As at 1st July 2021	12,821,793	28,809,715	41,631,508
Arnotisation of Capital Grant	(2,099,840)		(2,099,840)
			-
			-
			-
Suplus/Deficit for the year		(5,680,832)	(5,680,832)
AS at 30 June 2022	10,721,953	23,128,883	33,850,836

Imetha water and sanitation company.
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Xvi.Statement of Cash Flows For The Year Ended 30 June 2022

	Notes	2021-2022	2020-2021
		KSH	KSH
Cash flow from operating activities			
Net deficit/Surplus for the year		(5,680,832)	2,229,811
Adjustment of non cash items			
Arnotisation of Capital Grant	9a	(2,099,840)	(906,944)
Depreciation charge	15	6,223,815	4,165,814
Amortisation of intangible asset			1,333,333
		<u>(1,556,857)</u>	<u>6,822,014</u>
Working Capital Changes			
Decrease in inventory	12	630,889	58,661
Increase inTrade & other receivables	12	(1,674,081)	(2,676,071)
Increase inTrade & other payables	12	5,539,833	459,057
Net Cash flow from operating activities		2,939,784	4,663,661
Cash flow from Investing activities			
Aquisition of Property,Plant & Equipment	15	(2,147,584)	(8,727,596)
WIP	14		(6,559,811)
Net Cash flow before financing activities		792,201	(10,623,746)
Cash flow from Financing activities			
Increase In Capital Reserves	9a		6,605,096.00
Net increase in cash and cash equivalents		792,201	(4,018,650)
Cash and cash equivalents as at 1st July 2021	6	7,255,392	11,274,042
Cash and cash equivalents as at 30th June 2022	6	8,047,592	7,255,392

Imetha water and sanitation company.
Annual Reports and Financial Statements
For the year ended June 30, 2022

VII.Statement of Comparison of Budget and Actual Amount for the Year Ended 30 June 2022

	Original budget	Adjustment/Su pplementary	Final budget	Actual on comparable basis	Performance Difference
	2021-2022		2021-2022	2021-2022	2021-2022
Revenue	Kshs		Kshs	Kshs	Kshs
Government grants and subsidies	1,165,620	(236,907)	928,713	928,713	-
Water sales	47,277,168	1,268,270	48,545,438	41,922,173	6,623,265
sewerage	1,803,850		1,803,850	1,822,699	(18,849)
Reconnection fees	2,526,000		2,526,000	1,281,410	1,244,590
Labour charges	1,188,000	(590,050)	597,950	593,000	4,950
Other income			199,935	199,935	-
CSLG-Variable Grant			5,459,198	5,459,198	-
Amorisation of capital Grants			2,099,840	2,099,840	-
Total income	53,960,638	441,313	62,160,925	54,306,969	7,853,956

Imetha water and sanitation company.
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EXPENSES					
Personnel Costs					
Salaries, Wages & Allowances	19,923,103	530,000	20,453,103	20,446,640	6,463
Administration Expenses					
Postage & Telephone	355,700	50,000	405,700	405,538	162
Travelling and Subsistence	2,400,000	920,000	3,320,000	3,319,334	666
Advertising and Publicity	200,000	(45,000)	155,000	149,112	5,888
Fees, Levies and Permits	4,567,446	1,325,000	5,892,446	5,898,070	(5,624)
General Expenses	117,741	(17,500)	100,241	99,699	542
Office Stationery	130,000	215,000	345,000	342,805	2,195
Professional Services			-		-
Security	360,000	(12,000)	348,000	348,000	-
Electricity & Water	450,000	20,000	470,000	470,911	(911)
Transport Hire	10,000	(10,000)	-	-	-
Training Expenses	648,876	160,000	808,876	809,325	(449)
Official Catering	364,277	17,000	381,277	381,792	(515)
Insurance	230,000	40,000	270,000	270,216	(216)
Uniforms	244,367	28,000	272,367	272,900	(533)
Meetings and Conferences	1,006,403	1,200,000	2,206,403	2,203,845	2,558
Directors Expenses	731,000	(307,000)	424,000	424,000	-
Audit fee Expenses	232,000		232,000	232,000	-
Waspa subscriptions	65,000	10,000	75,000	75,000	-
Computer repairs	70,600		70,600	67,295	3,305
News papers and periodicals	32,400		32,400	29,100	3,300
Corporate Governance	650,000	(40,000)	610,000	605,400	4,600
Bank Charges	36,000	7,000	43,000	42,943	57
social responsibilities	50,000	(50,000)	-		-
Increase in provision For Bad Debts		190,000	190,000	185,853	4,147
Depreciation		6,100,000	6,100,000	6,223,815	(123,815)
Billing Sytem Development	300,000		300,000	300,000	-
Internet	498,588	(13,500)	485,088	484,223	865
Cloud Hosting	190,000	(10,000)	180,000	180,000	-
office repairs	729,300	(660,000)	69,300	65,700	3,600
billing SMS	360,000	(150,000)	210,000	208,714	1,286
Water analysis	81,600	(58,000)	23,600	22,800	800
Covid Expenses	100,000	(10,000)	90,000	89,150	850
Total Administration Cost	15,211,298	8,899,000	24,110,298	24,207,541	(97,243)
Payments to Creditors	3,704,000	(2,050,000)	1,654,000	1,635,118	18,882
Operation and Maintenance					
Chemicals	1,473,812	(400,000)	1,073,812	1,069,911	3,901
Repair & Maintainance	6,064,125	4,650,000	10,714,125	11,680,756	(966,631)
Motor Expenses	730,300	380,000	1,110,300	447,086	663,214
Fuel, Oils & lubricants	1,560,000	370,000	1,930,000	1,923,617	6,383
Rent and Rates	116,000	16,250	116,000	132,250	(16,250)
Total Operation and Maintance	9,944,237	5,016,250	14,944,237	15,253,620	(309,383)
Other Capital expenses-capital	5,178,000	(3,250,000)	1,928,000	1,918,620	9,380
WSTF Expenses				80,000	(80,000)
Total Expenditure	53,960,638	11,195,250	63,089,638	63,541,539	(390,783)
Adjustments for grants					
County Government subsidy	1,165,620	236,907	928,713	928,713	-
Water chemicals					
Total expenditure	52,795,018	10,958,343	62,160,925	62,612,826	
Surplus for the period				(5,680,832)	

EXPLANATION OF THE VARIANCES BETWEEN BUDGET AND ACTUALS AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022.

Revenue

- *There was decline in government Grants and subsidies because 3 No staff seconded by the county Government of Meru one of the staff passed on during the year.*
- *The revenue budget was not achieved due to severe prolonged dry spell which affected volume of water billed*

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
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is

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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
	<p>exemption relating to the measurement of</p> <p>its assets and liabilities. The exemption does not apply to components</p> <p>of equity.</p>	permitted.
<p>Amendment to IFRS 9 titled Fees in the '10 percent' Test for Derecognition of Financial Liabilities</p>	<p>The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.</p>	<p>January 2022, to IFRS 9 clarifies the fees that a company includes</p> <p>The amendments are effective for annual periods beginning on or after January 1,</p>
<p>Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)</p>	<p>The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.</p>

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	<p>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.</p>	<p>Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.</p>
IAS 16 —	Property, Plant and Equipment	<p>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.</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.</p>

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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	Insurance	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.]

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<p>IAS 1 — Presentation of Financial Statements</p>	<p>IAS 1 &quot;Presentation of Financial Statements&quot; 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.</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.</p>
<p>Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)</p>	<p>The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.</p>
<p>Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)</p>	<p>The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.</p>

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Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
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.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

iii Early adoption of standards

The entity did not -adopt any new or amended standards in the year 2022

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.

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 handling 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.

N) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue at the employees. At provision 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, 2022.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

INCOME

	2021-2022	2021-2020
Water Sales	41,922,173	42,377,517
Reconnection Fees	1,281,410	1,557,592
Labour Charges	593,000	630,843
Sewerage	1,822,699	1,761,870
Total	45,619,283	46,327,823

NOTE 2

Other Incomes

	2021-2022	2021-2020
Sundry income		19,962
Ministry of water-chemicals		915,705
CLSG-WSTF	5,459,198	5,947,704
Finance Income	199,935	
Armotisation of Capital Grant	2,099,840	906,944
WSTF fund		3,163,281
	7,758,973	10,953,596

NOTE 3

	2021-2022	2021-2020
County Government of Meru subsidy	928,713	1,165,620
Total subsidies	928,713	1,165,620
Grand total income	54,306,969	58,447,038

NOTE 4

	2021-2022	2021-2020
Personnel Costs		
GOK Salaries	928,713	1,165,620
Salaries & Wages	18,450,216	18,519,131
staff welfare	174,400	190,800
Gratuity	310,299	338,108
Pension	441,812	448,601
NSSF	141,200	148,400
	20,446,640	20,810,660

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 5	2021-2022	2021-2020
Administrative Costs	KSH	KSH
Postage & Telephone	405,538	323,252
Travelling and Subsistence	3,319,334	1,662,453
Advertising and Publicity	149,112	155,248
Fees, Levies and Permits	5,113,070	3,350,948
General Expenses	99,699	186,083
Office Stationery	342,805	196,064
Professional Services	785,000	66,000
Security	348,000	348,000
Electricity & Water	470,911	661,384
Transport Hire	-	-
Training Expenses	809,325	476,720
Official Catering	381,792	384,702
Insurance	270,216	178,630
Uniforms	272,900	360,158
Meetings and Conferences	2,203,845	531,282
web cost	180,000	180,000
Directors Expense	424,000	713,185
Audit fee Expenses	232,000	232,000
Waspa subscriptions	75,000	65,000
Computer repairs	67,295	130,764
Corporate governance training	605,400	606,900
News papers and periodicals	29,100	32,520
Increase in provision for bad debts	185,853	296,187
Bank Charges	42,943	44,228
Billing System Development	300,000	300,000
Office repairs	65,700	774,758
Internet	484,223	440,975
water effluent	22,800	8,990
Strategic Plan	-	1,976,120
Corporation Branding	-	291,500
Website	-	130,000
Billing sms	208,714	180,000
Covid expenses	89,150	
	17,983,725	15,284,050

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 6

	2021-2022	2021-2020
Cash and cash equivalents	KSH	KSH
Bank : Current Co-op 01120023210300	812,336	533,993
Current Borehole 01136023210300	2,772	25,291
Savings Co-op 0110003210300	6,158,345	5,694,366
Capital Sacco-1920288	14,859	53,419
Co-op Bank -01148023210303	283,370	936,827
Equity Bank-1040280468054	0	1,976
Equity Bank- 1040282676151	769,473	
Cash at hand	6,439	9,521
	<u>8,047,592</u>	<u>7,255,392</u>

NOTE 7

TRADE AND OTHER RECIEVABLES

	2021-2022	2021-2020
		KSH
Bal b/d	40,408,957	37,447,090
Bills For the year	43,744,872	44,139,387
Total bills	84,153,829	81,586,478
Less Bills received	41,886,343	41,177,521
Total bills recievable	42,267,487	40,408,957
Less 10% provision for bad debts	4,226,749	4,040,896
Staff debts	664,668	664,668
Unsurrendered imprest	565,424	565,424
prepayments	53,160	51,756
WSTF		
Net recievables	<u>39,323,990</u>	<u>37,649,909</u>

NOTE 8

Trade and other payables

	2021-2022	2021-2020
	KSH	KSH
Trade creditors	21,223,250	21,223,250
Accruals	9,464,856	4,494,523
Customer Water deposits	13,569,350	13,231,850
Provision for audit fees	232,000	232,000
Audit fees payable	1,658,000	1,426,000
Total Trade and other payables	<u>46,147,456</u>	<u>40,607,623</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9

Capital and Reserves	2021-2022	2021-2020
a) <u>Capital Reserve</u> (Deferred Income)	12,821,793	7,123,641
Grants from WSTF	-	6,586,096
WSTF- capital Grants Computers		19,000
Amortisation of capital grant	(2,099,840)	(906,944)
	10,721,953	12,821,793
b) <u>Revenue Reserves</u>		
At start	28,809,715	26,579,904
Surplus/Deficit for the year	(5,680,832)	2,229,811
	23,128,883	28,809,714
Total reserves	33,850,836	41,631,507

NOTE 10

	2021-2022	2021-2020
INVENTORY		
Stationery	122,815	174,770
Uniforms	18,600	-
Chemicals	208,974	666,405
pipe and fittings	975,451	1,176,812
Motor Expenses		20,700
computer and accessories	54,000	21,600
Official Catering	5,070	
General items	5,500	
Fuel and lubricants	38,988	
	1,429,398	2,060,287

NOTE 11

Operation and Maintenance	2021-2022	2021-2020
		KSH
Chemicals	1,069,911	975,781
Repair & Maintainance	11,680,756	9,102,759
Motor Expenses	447,086	885,122
Fuel ,Oils & lubricants	1,923,617	1,638,544
Rent and Rates	132,250	158,900
	15,253,620	12,761,106

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NOTE 12

NOTES TO THE STATEMENT OF CASH FLOW	2021-2022	2021-2020
a) Reconcilliation of operating profit/loss to cash generated from operations		
Operating profit	(5,680,832)	2,229,811
Amortisation of capital grants	(2,099,840)	(906,944)
Depreciation	6,223,815	4,165,814
Amortisation of intagible areset	-	1,333,333
Operating profit before working capital changes	(1,556,857)	6,822,013
Decrease in inventories	630,889	58,661
Increase in trade payables	5,539,833	459,057
Increase in trade receivables	(1,674,081)	(2,676,071)
Cash generated from operations	2,939,784	4,663,661
b)Analysis of cash and cash equivalents		
cash at bank	8,041,154	7,245,871
cash in hand	6,439	9,521
Balance at end of the year	8,047,592	7,255,392

NOTE 13

WSTF Exepenes	2021-2022	2021-2020
Transport	-	80,525
Telephone and postage	-	6,000
Stationeries	-	38,050
Uniforms	-	7,500
Marketing	-	4,000
Training expenses	80,000	-
Salary	-	127,890
Enviromental assesmnet	-	-
Toilet construction	-	1,565,000
Meetings	-	20,300
Office repairs	-	13,000
	80,000	1,862,265

NOTE 14

WIP

	2021-2022	2021-2020
Opening balance		2,591,631
For the year	28	6,559,811
		9,151,442

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NOTE 15
PROPERTY, PLANT AND EQUIPMENT

COST	FREEHOLD	PIPE AND	WATER	MOTOR		FURNITURE &	COMPUTERS &	LOOSE	CAPITAL	TOTAL
	LAND	FITINGS	REATMENT	VEHICLES AND	MOTOR CYCLES	EQUIPMENT	ELECTRONICS	TOOLS	WORK IN	
	KSH	KSH	PLANT	METERS KSH	KSH	KSH	KSH	KSH	PROGRESS	KSH
As at 1/7/21	290,000.00	29,887,675.00	3,177,635.00	20,182,555.69	12,214,020.60	855,530.40	2,979,359.00	17,127.00	9151442	78,755,345
Additions			574,164	368,000.00	1,148,620.00	256,500.00	145,500.00			2,492,784
Opening stock							21,600.00			21,600
Transfer			9,151,442						(9,151,442.00) ^p	-
closing stock				(312,800.00)			(54,000.00)			(366,800)
Disposal										-
As at 30/6/22	290,000.00	29,887,675.00	12,903,240.72	20,237,755.69	13,362,640.60	1,112,030.40	3,092,459.00	17,127.00	-	80,902,928
DEPRECIATION										
As at 1/7/21		18,693,846	2,052,330	12,711,070	7,251,086	576,796	2,180,373	16,300		43,481,801
Charge for the year		2,238,766	160,758	903,202	2,588,638	66,904	265,271	276		6,223,815.27
Disposal										-
As 30/6/22		20,932,612	2,213,088	13,614,272	9,839,724	643,700	2,445,644	16,576		49,705,616
NET BOOK VALUE										
AS at 30/6/22	290,000	8,955,063	10,690,153	6,623,483	3,522,916	468,330	646,815	551		31,197,312
As at 30/6/21	290,000	11,193,829	1,125,305	7,471,485	4,962,935	278,734	798,986	827		35,273,544

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

	2021-2022	2020-2021
County Government of Meru subsidy	928,713	1,165,620

Kshs.

Kshs

Key Management's Compensation

Director's Emoluments

	2021-2022	2020-2021
Directors Expencc	424,000	713,185

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/Not 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	

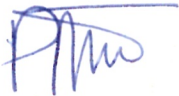
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	period	rectified	Manager			
	Statement of comparison of budget and actual amount					
2.2	Total Expenditure Statement of profit or loss and other comprehensive income	The statements was rectified	Commercial Manager	Resolved		
3.0	Positive working 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					

A.G: Chief Executive Officer
Patrick Mugendi



Date: 28/09/2022

Chairman Board of Directors
DR. Mworio Mugambi



Date: 28/9/2022

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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 which was completed during the quarter.

Project title	Project No	donor	Period duration	Donor commitment	Separate donor reporting required as per the donor agreement	Consolidated these financial statements
Mitunguu UBSUP project	1	Water Sector Trust Fund	1year	12,154,505	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	2021-2022	2020-2021
County Government of Meru Subsidy	928,713	1,165,620
Total subsidies	928,713	1,165,620

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

There was no any transfer from any government entity