



IMETHA WASCO

**IMETHA WATER**

**&**

**SANITATION CO. LTD**

**(IMETHAWASCO)**

**FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS**

**ENDED 30<sup>TH</sup> JUNE 2007**

**REPUBLIC OF KENYA**



***KENYA NATIONAL AUDIT OFFICE***

***REPORT  
OF  
THE CONTROLLER  
AND AUDITOR - GENERAL***

***ON***

***FINANCIAL STATEMENTS OF  
IMETHA WATER AND SANITATION  
COMPANY LIMITED FOR YEAR  
ENDED 30<sup>TH</sup> JUNE 2007***

# Imetha Water & Sanitation company Ltd

## Report and Financial Statements

For nine months ended 30<sup>th</sup> June 2007

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# **Imetha Water & Sanitation company Ltd**

## **Report and Financial Statements**

**For nine months ended 30<sup>th</sup> June 2007**

### **Corporate Information**

#### **Location**

##### **Head Office.**

Off Meru -Nanyuki Road.

Ministry of Water and Irrigation - Imenti North District Offices

PO BOX 467-60200.

MERU.

TEL: 064 -31781

CELL: 0729 248108

EMAIL: [imethawsl@yahoo.com](mailto:imethawsl@yahoo.com)

#### **BOARD OF DIRECTORS.**

1. Mr. James M. M'Murungi Chairman
2. Mr. F. K. Kariuki
3. Mr. Bishop David K. Munoru
4. Mr. Paul K.Tharamba
5. Mr. Joseph M. Kibaki.
6. Edward Mugambi
7. Andrew K. Mucheke
8. Martin M. Kaburu
9. Martin S.I. Bundi
10. Joseph Murithi M'njau
11. Anderson. N. Kioi General Manager/Secretary
12. C.E.O. Tana Water Services

## **CORPORATE MANAGEMENT TEAM**

- |                        |                    |
|------------------------|--------------------|
| 1. Anderson N. Kioi    | General Manager    |
| 2. Joseph G. Ndung'u   | Technical Manager  |
| 3. Lawrence M.Riungu   | Commercial Manager |
| 4. All scheme managers |                    |

### **Auditor.**

The Kenya National Audit Office,  
Anniversary Towers,  
P. O. Box30084,  
Nairobi.

### **Principal Bankers.**

Co-operative bank of Kenya  
Po box 1328 – 60200,  
Meru

Central farmers Sacco  
Timau branch  
Po box 1479  
Meru.

### **Advocates.**

Mithega & Company Advocate -Meru

# **Imetha Water & Sanitation company Ltd**

## **Report and Financial Statements**

**For nine months ended 30<sup>th</sup> June 2007**

### **Report of the directors**

We are delighted to be part of financial year team that delivered the technical, financial and management results for the Imethawasco. The financial year saw us achieve a large number of goals that we previously set for our selves, despite encountering some challenges along the way such as high cost of fuel, materials and labour.

### **Financial Report**

Under the national water supply and sanitation strategy, the government envisions that the sector should be self-financing. An integral part of this strategy is ensuring that WSPs operate on a commercially sustainable basis.

Imethawasco recorded impressive revenue collection of the billed amount. The average collection efficiency for the period under review was at an average of 71%. The revenue increased from Kshs 700,000 to Kshs. 1.2m, this was a remarkable achievement realized as a result of the implementation of the reforms and the commercialization process.

We anticipate this to be an on going process, which will be enhanced through further training and customers sales campaigns aimed at increasing our overall level of customers and business.

We in management recognize the immensity of the task a head of us. Our challenge is to show continual and consistent improvement to our stakeholders and to ultimately transform Imethawasco in leading water and sanitation provider as envisaged in our vision. We strive to avoid the mistakes of the past and consistently out perform the water supply business challenges. This will more pro-actively focus on customer needs and solutions and disciplined management, to our expenses. I am confident that we have the ability to achieve this.

## **Corporate Governance Statement**

Imethawasco is committed to the corporate governance principles. The board of directors is responsible for the long –term growth and future sustainability of the WSP, whilst being accountable to the stakeholders for compliance with service level, maintaining the highest standard of corporate governance and water business ethics

### **Board of Directors**

The board of directors is made of independent, non-executive directors, including the chairman. The directors are given appropriate and timely information so that they can maintain full and effective control over all strategic, financial operations and compliance issues. All the non-executive directors of the board are independent of the management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment. Whilst the day to day running of the business is delegated to the General Manager, who is also the chief executive officer. The board is responsible for establishing and giving the policy directions on the systems of the internal control so that its objectives for increased growth in sustainability are achieved.

### **Board Meeting**

The board of directors meets every quarter year in order to monitor the company planned strategy and review it in conjunction with its financial performance. Specific reviews of the management performance, operational issues and future planning are also undertaken.

The chairman has signed the WSP performance contract with regulator Tana water services Board. The chairman has also signed with the General Manager who in turn will cascade the performance with the scheme managers. And the same will cascade down wards.

All in all has been a very challenging financial year for us. With all the measures we have put in place over the past two (2) years, we anticipate the fy08/09 will be a year of few internal hundles as most of the work is now in place in terms of company structures.

## **1.0 Introduction**

Imetha water and sanitation company ltd (Imethawasco) was incorporated on 31<sup>st</sup> March 2006 under the Company Act (cap 486) of the laws of Kenya as a private limited company by guarantee (Registration C 123823) in the name of Imetha water and sanitation company ltd. The WSP signed service provision agreement (SPA) with Tana Water Service Board on 2<sup>nd</sup> May, 2006

Imethawasco comprises of seven (7) water schemes. Five (5) of the schemes are gravity i.e. Timau, Maua, Tigania, Mwimbi and Mitunguu. While the other two (2) Kanyakine and Nkubu are partly gravity and pumping .The water schemes are designed to cover 300 KM<sup>2</sup> with current coverage areas approximated to be 128.5 KM<sup>2</sup> .The design population is 105,000 people while the estimated population covered is 56,000 people

## **2.0 Vision.**

To be a leading water and sanitation services provider in Kenya

## **3.0 Mission Statement.**

To ensure and avail integrated rational and economic water and sanitation services by developing sound and sustainable financial systems as contracted effective water services provider.

## **Principal activities.**

The company is incorporated in Kenya under the Companies Act and is domiciled in Kenya. The address of the registered office is as set out on page 2.

The principal activities of the company are to provide water within the area of jurisdiction under regulations of Tana Water Services Board and Water Service Regulatory Board.

Surplus/ deficit for the year carried to Accumulated fund or specified reserves.

## **Directors**

The directors who held office during the year and to the date of this report are listed on page 2.

**By order of board,**



**A. N. Kioi**

**Secretary**

**Board of Directors**

**Date.....** 08/9/10

# Imetha Water & Sanitation company Ltd

## Report and Financial Statements

For nine months ended 30<sup>th</sup> June 2007

### Statement of Directors' Responsibilities.

The Companies Act requires the directors to prepare financial statements for each financial year that gives a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its surplus or deficit. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

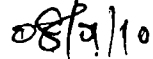
Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.

Approved by the board of directors on 11<sup>th</sup> June 2008 and signed on its behalf by:

A.N. Kioi  
General Manager.

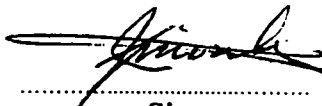


.....  
Sign




.....  
Date

Chairman



.....  
Sign



.....  
Date



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## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF IMETHA WATER AND SANITATION COMPANY LIMITED FOR 9 MONTHS PERIOD ENDED 30 JUNE 2007

I have audited the accompanying financial statements of Imetha Water and Sanitation Company Limited set out at pages 11 to 20 which comprises the Balance sheet as at 30 June 2007, the income statement, the statement of changes in Equity and the Cash Flow Statement for the year then ended and the summary of significant accounting policies and other explanatory information in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

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

#### **Responsibility of the Controller and Auditor General**

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the company preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's Internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

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

1. Non - Current Assets

The management did not during the year maintain a Fixed Asset Register for its Non-current Assets standing at Ksh. 831,882 as at 30th June 2007. Further, there was no disclosure by way of note to the financial statements of the value of assets leased from the Tana Water Services Board. Consequently, it has not stated in the financial statements as at 30 June 2007.


2. Cash and Bank Equivalents

The Cash and Cash Equivalents balance of Ksh.980,731 was not supported with monthly bank reconciliation statements and the other related records. As a result, the accuracy of the Cash and Cash Equivalents balance of Ksh. 980,731 as at 30 June 2007 could not be confirmed.

3. The customer Deposits balances of Kshs. 225,000 as at 30 June 2007 has not been supported with the relevant records with the result that its validity and accuracy could not be ascertained.

Opinion

Except for the foregoing reservations, in my opinion, the financial statements give a true and fair view of the financial position of the Company for the nine (9) months ended 30 June 2007, its financial performance and its cash flows for the period then ended in accordance with the International Financial Reporting Standards and comply with the Water Act, 2002 and the Kenya Companies Act, Cap 486 of the Laws of Kenya.



**A.S.M. Gatumbu**  
**CONTROLLER AND AUDITOR GENERAL**  
**Nairobi**

**15 February 2010**

**Imetha Water & Sanitation company Ltd**  
**Report and Financial Statements**  
**Income statement for nine months ended 30th June 2007**

	<b>NOTES</b>	
Turnover	3	6,322,968
		<u>6,322,968</u>
<b>EXPENSES</b>		
Operations Expenses	4	3,665,947
Maintainance Expenditure	5	2,055,827
		<u>5,721,774</u>
<b>Surplus/Deficit</b>		<u><u>601,194</u></u>

**Imetha Water & Sanitation company Ltd**  
**Report and Financial Statements**  
**Balance Sheet As at 30th June 2007**  
**2007-2008      2006-2007**

Assets	Note	Ksh
<b>Non- Current Assets</b>		
Property plant and equipment	2	<u>831,882</u> <u>831,882</u>
<b>Current assets</b>		
Inventory	7	139,700
Accounts Receivables	11	-
Cash & Cash Equivalents	8	980,731
		<u>1,120,431</u>
<b>Current Liabilities</b>		
Account payables	9	1,125,619
<b>Net Current Asset/Liabilities</b>		
		<u>(5,188)</u>
<b>Total Assets</b>		
		<u>826,694</u>
<b>Equity and liabilities</b>		
Accumulated fund		-
Net Income Surplurs/Deficit		601,194
<b>Non Current Liabilities</b>		
Customer deposits		225,500
<b>Total equity and liabilities</b>		
		<u>826,694</u>

Director: JAMES MIRITI M'AMUKUWA Sign [Signature] Date 8/01/2010

Director: MWIMBEKWA JOSEPH KUOKI Sign [Signature] Date 08/01/10

**Imetha Water & Sanitation company Ltd**

**Report and Financial Statements**

**Statement of changes in Equity  
for nine months ended 30th June 2007**

	<b>Retained</b>	
	<b>Earnings</b>	<b>Total</b>
As at 1st July 2007	601,194	601,194
<b>Accumulated fund</b>	<b>601,194</b>	<b>601,194</b>

**Imetha Water & Sanitation company ltd  
Report and Financial Statements  
for nine months ended 30th June 2007**

<b>Cash flow statement</b>		<b>2006-2007</b>
	<b>Notes</b>	<b>Ksh</b>
<b>Cash flow from operating activities</b>		
Cash generated from operations	9	1,623,581
<b>Cash flow from investing activities</b>		
Property plant and equipment	2	(868,350)
<b>Cash flow from financing activities</b>		
Increase customer deposits		225,500
<b>Net increase in cash and cash equivalents</b>		<u><b>980,731</b></u>
<b>Movement in cash and cash equivalents</b>		
At the start of the year		-
Increase		980,731
At the end of the year		<u><u><b>980,731</b></u></u>

# Imetha Water & Sanitation company Ltd

## Report and Financial Statements

For nine months ended 30th June 2007

### Note. 1

#### Accounting Policies.

##### Summary of significant accounting polices.

The principal accounting polices adopted in the preparation of the financial statement are set out below;

##### **a. Basis for preparation.**

The financial statements are prepared in compliance with international reporting standard (IFRS).

The statement are presented in functional currency, Kenya shillings (Kshs.) within the primary economic environment bases prescribed in (IFRS)

##### **b. Revenue Recognition.**

Revenue of the company is generated from the water sales , labor charges , reconnection fees and other bills made to customers revenue has been recognized after bills is done and submitted to customers but is realized after it has been paid for

Revenue represents the fair value of the consideration received or receivable for sales of goods and services provided.

##### **c. Property plant and equipment.**

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

Subsequent cost 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 operation. 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 depreciation in asset is calculated on rates shown on the written down values

### **Depreciation:**

This has been calculated to reduce non current assets using the following rates:

<b>Meters</b>	<b>12%</b>
<b>Furniture and Equipment</b>	<b>12.5%</b>
<b>Motor cycles</b>	<b>25%</b>
<b>Computer and accessories</b>	<b>30%</b>
<b>W.T.P Equipment</b>	<b>12.5%</b>

No asset disposal has been done in the course of the financial year

#### **d. Non inventory stores**

The inventories are stated at lower cost and net realizable value. The cost is determined on first in first out (FIFO) method

**Imetha Water & Sanitation company Ltd**  
**Report and Financial Statements**  
**For nine months ended 30<sup>th</sup> June 2007**  
**Non Current Asset- Movement Schedule**

**NOTE 2**

Details	Meters		Motor Cycles		Furniture		Computers		Total
	Ksh		Ksh		Ksh		Ksh		
Balance b/d Cost	-		-		-		-		-
Additions	327,850.00		212,750.00		188,490.00		139,260.00		868,350.00
Balance c/d Cost	327,850.00		212,750.00		188,490.00		139,260.00		868,350.00
<b>Acc. Depreciation b/d</b>	-		-		-		-		-
<b>Depreciation Charge 30.6.07</b>	10,764.00		4,432.00		3,046.00		18,226.00		36,468.00
<b>Acc. Depreciation Bal c/d</b>	10,764.00		4,432.00		3,046.00		18,226.00		36,468.00
<b>Net Book Value as at 30.6.07</b>	317,086.00		208,318.00		185,444.00		121,034.00		831,882.00

**Imetha Water & Sanitation company Ltd**  
**Report and Financial Statements**  
**for nine months ended 30<sup>th</sup> June 2007**  
**Notes to the accounts**

**Note 3**

**Turnover**

Water Sales	6,272,706
Reconnection Fees	20,400
Labour Charges	27,977
Bank Interest	<u>1,885</u>
<b>TOTAL</b>	<b><u><u>6,322,968</u></u></b>

**NOTE 4**

**(i) Operating Expenses**

Traveling & Subsistence	651,275
General office expenses	142,148
Salaries & Wages	472,909
Office stationary	262,102
W.S.B. Levies & Other Fees	660,010
Official entertainment	3,345
Postage & Telephone	23,062
Uniforms	59,230
Capacity Building	139,500
Electricity, Water & Conservancy	756,747
Transport hire	22,500
Annual Audit Provision	60,000
<b>TOTAL</b>	<b><u><u>3,665,947</u></u></b>

# Imetha Water & Sanitation company Ltd

## Report and Financial Statements

For nine months ended 30<sup>th</sup> June 2007

### NOTE 5

Maintainance Expenditure	
(i) Repairs and Maintainance	2,019,359
(ii) Depreciation	36,468
<b>TOTAL</b>	<b><u>2,055,827</u></b>

### NOTE 6

Non Inventory Store	139,700
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### NOTE 7

#### Cash and cash equivalents

Bank : Current Co-op	604,593
Savings Co-op	292,021
Savings M.C Sacco	43,860
Cash at hand	40,258
	<b><u>980,731</u></b>

# Imetha Water & Sanitation company Ltd

## Report and Financial Statements

For nine months ended 30<sup>th</sup> June 2007

### Note 8

#### Accounts payable

	Ksh	Ksh
Njamka Ltd		212,750.00
Harun Muthomi		58,280.00
Respine Enterprises		26,500.00
Elite Option		113,200.00
Decent Furniture		73,000.00
MIBM Ltd- Meru		28,490.00
Telkom Kenya		2,035.00
Tana WSB		85,372.00
Silverspread service station		22,368.00
KPLC	36,972.00	
KPLC	405,536.00	442,508.00
Telkom Kenya		1,116.00
Provision for audit		60,000.00
<b>TOTAL</b>		<b>1,125,619</b>

#### NOTE 9

	Ksh	2007 Ksh
<b>Cash flow from operating activities)</b>		
Net income	601,194	
<b>Adjustment of non cash items</b>		
Dereciation charge	36,468	637,662
<b>Working Capital Changes</b>		
Changes in non inventory stores	(139,700)	
Changes in Account receivables		
Changes in Account payables	1,125,619	985,919
<b>Net cashflow from operations</b>		<b>1,623,581</b>



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*Mugraph Press, Makutano ~ Meru*