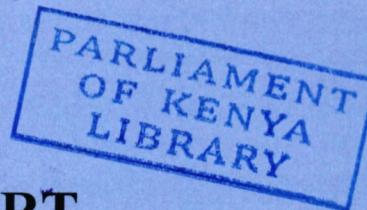


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
IMETHA WATER AND SANITATION  
COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE 2015**

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

---

**IMETHA WATER AND SANITATION COMPANY LTD**

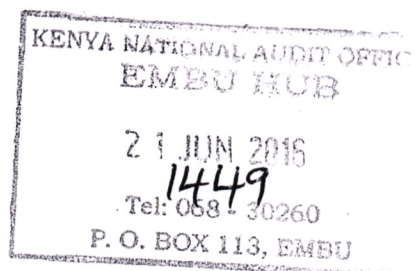
**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2015**

---

---

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



**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

<b>CONTENTS</b>	<b>PAGE</b>
Key Imetha water and sanitation company Information	2-4
Board of Directors	5-7
Management Team	8-9
Chairman's Statement	10-13
Report of the General Manager	14-17
Corporate Governance Statement	18-20
Corporate Social Responsibility Statement	21
Report of the Directors	22
Statement of Directors' Responsibilities	23-24
Report of the Independent Auditor/Auditor General	25-26
Statement of Comprehensive Income	27
Statement of Financial Position	28
Statement of Changes in Equity	29
Statement of Cash Flows	30
Summary of Significant Accounting Policies	31-36
Explanatory Notes to the Financial Statements	37-43

## Imetha water and sanitation company.

### Reports and Financial Statements For the year ended June 30, 2015 (Kshs)

---

#### IMETHA WATER AND SANITATION COMPANY INFORMATION

##### Background information

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

##### Principal Activities

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

##### Directors

The Directors who served the Imetha water and Sanitation Company during the year/period were as follows:

	Name	Position	Date of appointment	Left on
1	Mr. Stanley M. M'Imea	Director	6 <sup>th</sup> October 2010	
2	Mr. Michael M. Kabugo	Chairman	6 <sup>th</sup> October 2010	
3	Mr. David M. Marundu	Director	6 <sup>th</sup> October 2010	
4	Mr. John M. Mugambi	Director	6 <sup>th</sup> March 2014	
5	Mr. Ng'olua Muaine	Director	6 <sup>th</sup> March 2014	
6	Mr. Mburunga Thiruaine	Director	6 <sup>th</sup> March 2014	
7	Mrs. Lorine M. Rungoi	Director	6 <sup>th</sup> March 2014	
8	Mr. David Gitonga	Director	6 <sup>th</sup> March 2014	
9	Mr. Moses Nabea	Director	6 <sup>th</sup> March 2014	
10	Ms. Lucy Karimi	Director	6 <sup>th</sup> March 2014	
11	Mr. Jephtha M. Kirianyama	Director	6 <sup>th</sup> October 2010	

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

**Corporate Secretary**

Mr. Michael Ndubi Marete  
P.O. Box 1366-60200  
MERU

**Registered Office**

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

**Corporate Headquarters**

Ministry of water & irrigation offices  
Meru-Nanyuki Road  
P.O. Box 467  
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  
Timau branch  
P.O. Box 1479-60200  
Meru

**Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**






---

**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







**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

Insert each Director's passport-size photo and name, and key profession/academic qualifications	Provide a concise description of each Director's date of birth, key qualifications and work experience
<p>Mr. Michael Mugambi Kabugo</p> 	<p>Date of birth: 1953</p> <p>Profession/Academic Diploma in Clinical medicine</p> <p>Work experience:</p>
<p>Mr. Stanley Mugambi M'Imea</p> 	<p>Date of birth; 1975</p> <p>Profession/Academic :0 level</p> <p>Work experience: farmers organizations</p>
<p>Mr. Jephtha M. Kirianyama</p> 	<p>Date of birth:1948</p> <p>Profession/Academic : Certificate of education</p> <p>Work experience: Teaching</p>
<p>Mr. David Mwenda Marundu</p> 	<p>Date of birth; 17<sup>th</sup> July 1959</p> <p>Profession/Academic: Diploma in Applied statistics</p> <p>Work experience: seconded to KNBS as field assistant officer - 24 years</p>
<p>Mr. John M. Mugambi</p> 	<p>Date of birth: 23<sup>rd</sup> June 1968</p> <p>Profession/Academic :Diploma in water engineering</p> <p>Work experience: 22 years</p>
<p>Mr. Ng'oluaMuaine</p>	<p>Date of birth: 1959</p> <p>Profession/Academic : Certificate in county governance, Army certificate</p> <p>Work experience: businessman</p>


**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**



	
<p>Mr. Mburunga Thiruaine</p> 	<p>Date of birth;1967</p> <p>Profession/Academic : CPA II, Bachelor of commerce (Insurance option)</p> <p>Work experience: 25years</p>
<p>Ms. Lorine Muthoni Rungoi</p> 	<p>Date of birth: 24<sup>th</sup> April 1951</p> <p>Profession/Academic : Teacher</p> <p>Work experience: 30 years</p>
<p>Mr. David Gitonga</p> 	<p>Date of birth: 1976</p> <p>Profession/Academic: Masters in Science Engineering(MSC).</p> <p>Work experience: 15 years</p>
<p>Mr. Moses Nabea</p> 	<p>Date of birth: 22/12/1972</p> <p>Profession/Academic: Bachelor of Business Administration(Accounting &amp; Finance),CPA II .</p> <p>Work experience: 15 years</p>
<p>Ms. Lucy Karimi</p> 	<p>Date of birth:</p> <p>Profession/Academic :</p> <p>Work experience:</p>

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**





 <p>Michael Ndubi</p>	Key profession/ Academic qualifications: CPS(K)
	Responsibility: Company Secretary

**MANAGEMENT TEAM:**

1 Mr. A N Kamundi  	Key profession/ Academic qualifications: HND in Water and Engineering
	Responsibility: General Manager
2Mr. Edward Njagi Mugambi  	Key profession/ Academic qualifications: Higher National Diploma in Water Engineering
	Responsibility: Technical Manager

Imetha water and sanitation company.


**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

3. Mr. Geoffrey Muchai 	Key profession/ Academic qualifications: Bachelor of Commerce Accounting Option and CPA(K)
5. Mr. Nicholas Gitonga 	Key profession/ Academic qualifications: Diploma in purchases and supplies
6. Mr. Alex \Kimathi 	Key profession/ Academic qualifications: Diploma in Information Technology
7. Mr. Patrick Mugendi 	Key profession/ Academic qualification: Bachelors degree Development Studies & Economics
	Responsibility: Human resource manager

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

<p>8. Ms. Winfred Mukiri</p> 	<p>Key profession/ CPA K, Bachelor's degree in commerce Banking and Finance option</p>
	<p>Responsibility: Internal Auditor</p>

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

**CHAIRMAN'S STATEMENT**

Dear stakeholders, Ladies and gentlemen,

First and foremost, let me take this early opportunity to salute all of you. Secondly, I welcome you all in this seventh AGM of the company. I feel most delighted to present to you the annual report and the financial statement of the company for the financial year ended 30<sup>th</sup> June, 2015.

During the year under review, the company made some remarkable improvements as reflected in the financial and the physical growth of the infrastructure in the company. This is a clear indication that the company is on the right track in accomplishing its mandate as envisioned in the company's mission of ensuring adequate, reliable and quality water provision and enhanced sanitation services within the area of jurisdiction through development of innovative approaches to service delivery and rehabilitation of the already existing infrastructure and developing new systems and extensions.

The success recorded did not come easily. It took a combination of strategic management and putting in place a sound policy framework by the Board of Directors, a committed company's day to day management team, an outgoing support staff and finally but not the least the support and understanding from the entire IMETHAWASCO stakeholders fraternity. With this kind of cohesion and focus on matters, I am confident that IMETHAWASCO will realize in a near future its vision of being the **leading water and sanitation services provider in Kenya.**

Ladies and gentlemen, let me now focus on the financial performance of the company in the year under review. I am pleased to report to you that even under the difficult social-political and economic environment in which the company operated in during the year under review, the company was able to attain a turnover of **Kshs. 36,193,963 /=-** in the financial year 2014/2015.

This impressive performance is a clear reflection of the stakeholders' confidence in IMETHAWASCO and an indication of the company's future stability and potential as a WSP within the Tana Water Services Board region.

## **Imetha water and sanitation company.**

### **Reports and Financial Statements For the year ended June 30, 2015 (Kshs)**

---

The company will remain focused in increasing and diversifying its revenue base in the coming years by way of connecting more customers and continued management of Non-Revenue Water to the sector's benchmark levels. This will enable the company improve its service delivery to our esteemed customers and progressively increase coverage within the company's area of jurisdiction which currently stands at 41%. This will have a consequent result of rising people's living standards.

**Ladies and gentlemen**, at this point, I wish to make some remarks on the business environment under which the company operated in during the year under review. The financial year 2014/2015 started with high expectations and high targets to achieve. The reforms in the water sector although ever evolving and the Corporate Governance Guidelines development by WASREB had by now been mastered to some good degree. This contributed to making decisions and the company policies for operation from a more informed background.

The cost of operation and maintenance went higher than envisaged as a result of inflation experienced in the country during the year under review.

Even under the foregoing setbacks, IMETHAWASCO continued to utilize the opportunities available to address the aforementioned challenges to realize our vision toward serving our esteemed customers. I am pleased to report that even under the difficult business environment and the tight constricted budget circumstances, we never relented in our mission of providing quality, affordable, reliable and sustainable water services to our increased customer base which is now 5500 registered connections is serving about 49,000 people.

**Ladies and gentlemen**, at this point, I wish to talk about the company's future plans.

IMETHAWASCO is currently positioning herself strategically given the coming in place of the County Governments and the devolution of the water provision function. The constitution recognizes the provision of safe water in adequate quantities to the citizen of Kenya as a human right.

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

To this end, IMETHAWASCO is to capture this important detail in her next strategic plan for period 2016-2021. In the meantime, IMETHAWASCO is bracing herself to increase her service area to cover the remaining rural areas in Meru County. It is hoped that the proposed National water bill 2016 which proposes that WSP's shall not only provide water and sanitation services but also plan for the provision of the services within the counties is finalized soon to give a legal framework under which to operate. This will require enhancing IMETHAWASCO's staff capacity to handle such assignments.

IMETHAWASCO shall continue to network with the National Government and closely work with the County Government of Meru and other development partners to raise the resources required to develop the much needed water infrastructure for better service delivery both in Water and Sanitation. This will include exploring the Public Private Partnership window through Water Board and the County Government of Meru to ensure funding of the needed modern infrastructure for provision of water and sanitation services.

Domestically, IMETHAWASCO shall continue to utilize 30% of her internally generated revenue to develop more water distribution lines from our existing systems to cover more areas and thereby reaching more customers. IMETHAWASCO shall also continue to invest on building capacity of her staff. This is on realization of how important the human resource is to any organization.

Ladies and gentlemen, it will be a serious omission if in my remarks I don't make some important appreciation. The success the company has attained would not be, were it not for the awesome support from you all stakeholders. Particularly, I want to thank our esteemed customers for the role of settling their water bills and for your continued feedback to us to enable us correct our shortcoming in service delivery. I urge you to continue with the same spirit.

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

Secondly, I wish to sincerely thank IMETHAWASCO's Board of Directors for their very valuable contributions in the policy matters of the company. I note with much appreciation that you availed your precious time for the growth of this company.

I want also to thank IMETHAWASCO's management team and the entire IMETHAWASCO staff for their undivided commitment to duty. Your contribution to our success was enormous.

I wish also to recognize the important role played by WASREB and TWSB in guiding us as we carried out our activities.

I cannot forget thank the County Governments of Meru and TharakaNithi for financing capital works already handed over to the company for operation.

Last but not least, we appreciate the political leadership of good will for their support during the entire period of the year. Your contribution in one way or the other counted a lot in our success.

I am confident that with your continued support from all of you, we will together again steer IMETHAWASCO through another successful year.

Thank you all and God bless you.



**MICHAEL MUGAMBI KABUGO  
BOARD CHAIRMAN - IMETHAWASCO**

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

**REPORT OF THE GENERAL MANAGER**

**1.0 INTRODUCTION**

Ladies and gentlemen, allow me to present to you a report on the company's activities during the financial year 2014/2015. As echoed in the chairman's statement, the company had a successful year both in the financial and in the physical development aspects.

These achievements attained come as a result of coordination and concerted efforts amongst the Board of Directors, the management team, the staff, other partners and players and the general stakeholders at large. However, it is important to note at this early opportunity that the company had challenges to contend with during the year under review.

**2.0 FINANCIAL RESULTS**

IMETHAWASCO recorded an impressive turnover of **Kshs. 36,193,963/=** during the year under review. Actual revenue collected in the year 2014/2015 was **Kshs. 35,123,143/=**

This came as a result of increased number of active connections from 5300 in 2013/2014 to 5500 in 2014/2015 and therefore translating into more water sales. It is important to note that the increase in the turnover recorded also was as a result of continued reduction of Non-Revenue Water (NRW) from 57 % in 2013/2014 to 51% in 2014/2015 thus availing more water for sale. The social factor of customer satisfaction with our service delivery also contributed to the increased turnover in the year under review.

**3.0 OPERATION AND MAINTENANCE ACTIVITIES**

Let me now report that the O&M activities went on well throughout the year. The activities included but not limited to intakes attendance for maintenance and desilting, repair of bursts and leakages on raw water mains and on the distribution network, water treatment and quality control at the treatment plants, flushing of water lines and cleaning of storage facilities, repair and replacement of defective water control valves and general rehabilitation of the dilapidated systems.

## **Imetha water and sanitation company.**

### **Reports and Financial Statements For the year ended June 30, 2015 (Kshs)**

---

The O&M activities are coordinated by the company's technical department. It is important to note that the cost of the O&M activities were higher than initially planned given the ever escalating cost of water pipes, water fittings, water treatment chemicals and the increased cost for unskilled and skilled labour.

In a nut shell, I am pleased to report that the water systems were well manned and maintained throughout the year and were able to deliver water to customers with minimal hitch on almost a 24 hours basis.

#### **4.0 PHYSICAL DEVELOPMENT**

Ladies and gentlemen, quite sizeable development in water infrastructure was done during the year under review. In particular the company tendered works worth **Kshs. 24,019,889/=** to reinstated the Mitunguu – Chiakariga water line which had been damaged by road works.

These works are to benefit a population of over 5,400 people in Mitunguu/Tunyai water scheme.

The company has continuously ploughed back part of revenue generated internally to extend services to customers in unserved areas. In the year under review the company utilized **Kshs. 6,306,821/=** for this purpose.

#### **5.0 ADMINISTRATION**

During the year under review, the company had a workforce of 107 members of staff with 78 being direct employees of the company and 29 seconded to the company from the County Government of Meru.

It is important to note here that in the course of the year the staff turnover was minimal with only the General Manager and the Ag. Technical Manager leaving the company.

As a way of building the capacity of the staff, the company sent some of its employees for short period trainings.

## **Imetha water and sanitation company.**

### **Reports and Financial Statements For the year ended June 30, 2015 (Kshs)**

---

#### **6.0 CHALLENGES**

Ladies and gentlemen, the company never went without its share of challenges during the year under review. Some of the challenges encountered during the year include:-

- a) High cost of repair and maintenance of the inherited dilapidated infrastructure.
- b) Lack of adequate finances for all our activities.
- c) Climatical changes which affected our water sources and therefore production.
- d) Unpaid water bills by the National and County Governments institutions.
- e) High levels of NRW due to old water systems and theft of water through illegal connections and illegal reconnections.
- f) Inadequate means of transport to cover the vast area of service.
- g) Vandalism of water installations.
- h) High cost of energy in the pumping schemes.
- i) High charges of water user fee by WARMA
- j) High cost of water treatment chemicals.
- k) Destruction of water lines by the road contractors.

#### **7.0 FUTURE PLANS**

Ladies and gentlemen, as company we have both long and short term future plans all geared towards the growth of the company and therefore provision of unmatched services to our customers.

The company future plans are envisioned in the company's five years strategic plan. The strategic objectives include:-

- a) Expand coverage to 70% of area for jurisdiction by 2018.
- b) Expand and diversity revenue base.
- c) Improve service delivery to customers

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

- d) Enhance capacity of board members, management team and staff.
- e) Strengthen institutional framework and capacity
- f) Improve the collection efficiency to 80% by 2018
- g) Achieve 90% metering ratio by 2018
- h) Reduce NRW to below 40% by 2018
- i) Increase active connections to 8000 by 2016.

**8.0 APPRECIATION**

Ladies and gentlemen, before I close my remarks, I wish to record my appreciation to all of you for the support you accorded the company during the year under review.

In particular, I wish to pass my special thanks to the following:-

- The Board of Directors for their commitment to the growth of the company.
- The entire IMETHAWASCO stakeholders fraternity for your support both internally and externally.
- The County Governments of both Meru and TharakaNithi Counties for utilizing their allocated funds to develop water infrastructure for our use.
- The TWSB and WASREB for their guidance and advice on matters of regulation in the water sector.
- The politicians of good will who come hardy during our time of need.
- Our esteemed customers for your continued cooperation.
- The IMETHAWASCO staff for their unparallel commitment to duty.

To all of you, receive our most sincere appreciation for the role you played which counted to the company's success during the period under review.

  
**A. N. KAMUNDI**  
**GENERAL MANAGER**

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

**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

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

**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 current 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;

**Imetha water and sanitation company.**

**Reports and Financial Statements**

**For the year ended June 30, 2015 (Kshs)**

---

- The Chairman of the Board is 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

The Company's Articles of Association provides that the Company is to have not less than seven and not more than 11 directors. At the date of this report, the Board consisted of 11 directors, comprising:

- Eight directors representing schemes where the company operates and three directors representing County Governments in the Counties where the Company operates
- The Board requires that each of its directors possess unquestionable integrity and good character.

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

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.

In Timau Water Scheme, the company mobilized resources by writing proposals for 7<sup>th</sup> call funding from Water Services Trust Fund under the pro poor initiative. The funds are intended to avail safe water to the low income areas within Timau Township with an approximate population of 12,750.

Through the funding the company would be able to:

- i. Supply adequate, affordable and reliable drinking water to Mutumba, Mia Moja and Riverside low income areas.
- ii. To provide sufficient storage to the underserved low income areas.
- iii. To improve the health standards of Timau Water Schemes by providing safe drinking water
- iv. To increase the company's coverage by supplying the targeted underserved areas.

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

**REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2015 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, 2015 are set out on page 27-43.

**Directors**

The members of the Board of Directors who served during the year are shown on page 2 In accordance with Regulation of the *Imetha water and sanitation company's* Articles of Association,

**Auditors**

The Auditor General is responsible for the statutory audit of the *Imetha water and sanitation company* in accordance with the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

Kenya national audit will carry out the audit of the *Imetha water and Sanitation Company* for the year/period ended June 30, 2015.

By Order of the Board



**IMETHAWATER AND SANITATION COMPANY LTD.  
BOARD CHAIRMAN  
MERU**

## **Imetha water and sanitation company.**

### **Reports and Financial Statements For the year ended June 30, 2015 (Kshs)**

---

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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, 2015. 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 and the State Corporations Act.

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

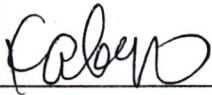
---

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, 2015, and of the *Imetha water and Sanitation Company's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *Imetha water and Sanitation Company*, which have been relied upon in the preparation of the *Imetha water and sanitation company's* financial statements as well as the adequacy of the systems of internal financial control.

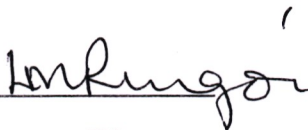
Nothing has come to the attention of the Directors to indicate that the *Imetha water and sanitation company* will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**


The *Imetha water and sanitation company's* financial statements were approved by the Board on 29/10/15 2015 and signed on its behalf by:

  
\_\_\_\_\_

Director

  
\_\_\_\_\_

Director

  
\_\_\_\_\_

Director

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

**REPORT OF THE INDEPENDENT AUDITORS  
ON THE IMETHA WATER AND SANITATION COMPANY**

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-mail: oag@oagkenya.go.ke  
Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON IMETHA WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2015

---

#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Imetha Water and Sanitation Company Limited set out on pages 27 to 43, which comprise the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

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

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

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

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

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

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

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

## Basis for Adverse Opinion

### 1.0 Accuracy of Financial Statements

A review of the financial statements and the respective supporting schedules reflected overstatements and understatements of Kshs. 3,106,943 and Kshs. 964,945 respectively on eleven (11) expenditure items in the financial statements as detailed below;

Item	F.S figure	Audited figure	Overstatement
Other Incomes	36,420,570	36,420,130	440
Motor Expenses	700,751	192,719	508,032
Professional Services	593,700	580,900	12,800
General Expenses	240,379	221,543	18,836
Repairs and Maintenance	7,036,595	4,865,508	2,171,087
Chemicals	<u>2,282,717</u>	<u>1,886,969</u>	<u>395,748</u>
<b>Total Over - Statement</b>	<b><u>47,274,712</u></b>	<b><u>44,167,769</u></b>	<b><u>3,106,943</u></b>

Item	F.S figure	Audited figure	Understatement
Office Stationery	428,631	525,933	(97,302)
Bank charges	150,832	151,448	(616)
Billing System	71,920	173,620	(101,700)
Income Tax	203,073	750,000	(546,927)
Fuel, Oils & Lubricants	<u>1,599,286</u>	<u>1,817,686</u>	<u>(218,400)</u>
<b>Total under - Statement</b>	<b><u>2,453,742</u></b>	<b><u>3,418,687</u></b>	<b><u>(964,945)</u></b>

In view of the foregoing, the accuracy and completeness of the financial statements balances as at 30 June 2015 could not be ascertained.

### 2.0 Non-Current Assets

The statement of financial position reflected property plant and equipment balance of Kshs. 20,926,366 as at 30 June 2015. However, a fixed assets register was not maintained contrary to Section 82 of the Water Act, 2002. Further, the fixed assets of the company were not labelled. It was not clear how the Company was safeguarding its assets without recording their details in a fixed assets register which would have assisted in monitoring their location, conditions and usage.

In view of the circumstances, it has not been possible to confirm the location, completeness, security and accuracy of the noncurrent assets balance of Kshs. 20,926,366 as at 30 June 2015.

### 3.0 Trade and Other Payables

The financial statements reflects a Trade and Other Payables balance of Kshs.26,158,279.00 as at 30 June 2015 which include customer water deposits balance of Kshs.8,222,600.00. However, this balance was not supported by a register reflecting name, amount, receipt number and date. Further, the deposit records availed for audit review and bank confirmation statements reflect customer water deposits of Kshs.883,400.00 and Kshs.1,699,689.70 respectively. The variation of the deposits balance reflected in the three records has not been explained or reconciled.

The difference of Kshs. 6,522,910.30 between the customer deposits in the financial statements and bank balance of Kshs.8,222,600 and Kshs.1,699,689.70 respectively, has been accounted for as follows.

26/5/14	Bankers cheque no. 33235-6	1,390,116.00
25/5/12	In house funds transfer	<u>1,000,000.00</u>
Total		2,390,116.00
Unaccounted for deposits		<u>4,132,794.30</u>
		<b><u>6,522,910.30</u></b>

The Kshs.1,390,116.00 bankers cheques were in respect to tax arrears. However, the respective Board's authority was not made available for audit review. Further, no explanation was made available as to why the cheques were not cleared or written back to the cash book. The Kshs.1,000,000 in-house funds transfer was in respect to settlement of the Company's liabilities whose respective authority had stated that the funds were to be refunded in twenty four (24) equal monthly instalments of Kshs.42,000.00, starting June 2012. However, no refund had been made as at 30 June 2015.

In addition, Kshs. 4,132,794.30 customer's deposits remained unaccounted for as at 30 June 2015. A spot check at Kianjai Scheme revealed that new connections for the month of June 2015 totalled Kshs.77,500.00 made up of Kshs.34,000.00 deposits and Kshs.43,500.00 labour charges while the respective cashbook reflected total receipts of Kshs.64,500.00 for the new connections made up of Kshs.30,000.00 deposits and Kshs.34,500.00 labour charges.

The deposit cash book was therefore under casted by Kshs.13,000.00. In the circumstances, the accuracy of the Trade and Other Payables balance of Kshs.26,158,279 as at 30 June 2015 could not be ascertained.

#### **4.0 Personnel Costs**

The statement of financial performance reflects personnel costs of Kshs.25,610,673 for the year under review. However, analysis of payroll and the cashbook showed a salaries and wages balance of Kshs.15,552,928 made up of salaries of Kshs.14,193,678 and wages of Kshs.1,359,250 resulting in an unexplained and reconciled difference of Kshs.10,057,748.

In the circumstance, the completeness and accuracy of the personnel cost balance of Kshs.25,610,673 as at 30 June 2015 could not be confirmed.

#### **5.0 Cash and Cash Equivalents**

The financial statements reflect Cash and Cash Equivalents balance of Kshs.22,713,822.00 as at 30 June 2015 which includes a cash on hand balance of Kshs.1,229. However, the cash book reflects a cash in hand balance of Kshs.37,860 resulting in an unreconciled and unexplained variance of Kshs.36, 631. Further, the Borehole cash book reflected an unexplained negative cash on hand balance of Kshs.72,291.00 as at 30 June 2015.

In addition, Note 5 to the financial statements reflects cash in transit balance of Kshs.131,243.00 out of which only Kshs.116,480.00 was analysed resulting in an unexplained and unreconciled difference of Kshs.14,763. Further, evidence that the cash in transit was received and promptly banked was not provided for audit review. As a result, the completeness and accuracy of the Cash and Cash Equivalents balance of Kshs.22,713,822.00 could not be confirmed.

#### **6.0 Non-Revenue Water (NRW)**

Analysis of water production and billing showed a production of 1,675,994M<sup>3</sup> during the year under review while the volume of water billed was 689,669M<sup>3</sup> resulting in a non-revenue water (NRW) of 986,325M<sup>3</sup> or 59% of the total water produced. However, the water Act, 2002 only allows an NRW of 25% which translates to 418,999M<sup>3</sup> NRW for the Company. The NRW of 567,326M<sup>3</sup> or 34% was therefore over and above the allowed NRW.

In the circumstances, the significant level of NRW may negatively impact on the Company's profitability and its long-term sustainability.

#### **7.0 Trade and Other Receivables**

The financial statements reflect Trade and other Receivables balance of Kshs.15,395,594.00 as at 30 June 2015. However, apart from Nkubu and Maua schemes, the Company did not provide for audit review debtors ageing analysis for bills receivables amounting to Kshs.14,992,162. Further, included in the Trade and Other Receivables balance of Kshs.11,036,225 were staff debtors balance of Kshs.1,203,907.00. In addition, no documentary evidence was provided to show the imprest issue date and due date including any actions being taken to recover the debts.

In view of the above, the completeness, and accuracy and recoverability of Trade and Other Receivables balance of Kshs.15,395,594.00 as at 30 June 2015 could not be confirmed.

### 8.0 Inventories

The financial statements and the stock count report reflected a similar balance of Kshs 531,977.00 as at 30 June 2015. However, a comparison of randomly selected stores ledgers/Bin Cards and the stock count report showed inventories balance of Kshs.108,565 and Kshs.261,110 resulting in a variance of Kshs.132,745 as follows;

Item Code	Item Name	Bin Card Value Kshs.	Stock Count Kshs.	Value Difference Kshs.
C20	Consumer L/books	33,500	17,440	15,860
F1	File Fasteners	2,450	30,000	(27,550)
N22	Nose Mask	-	159,870	(159,970)
D24	DPD Tablets	<u>72,815</u>	<u>34,000</u>	<u>38,815</u>
<b>Total</b>		<b><u>108,565</u></b>	<b><u>241,110</u></b>	<b><u>(132,745)</u></b>

In the circumstances, it has not been possible to ascertain the accuracy of the inventory balance of Kshs.531,977.00 as at 30 June 2015.

### 9.0 Irregular and Unsupported Expenditure

Examination of the Company's records revealed that Kshs.4,086,589.00 was spent on chemical expenses as follows;

Item	Amount (Kshs.)
Office Stationery	248,675.00
Travelling and Accommodation	29,400.00
Chemical Expenses	2,424,609.00
Repairs and Maintenance	<u>1,383,905.00</u>
<b>Total</b>	<b><u>4,086,589.00</u></b>

However, the expenditure was not supported by quotations, opening and evaluation minutes, requisition forms and inspection and acceptance certificates as required. In view of the foregoing, it was not possible to confirm how the supplier was identified, whether the chemicals were received and whether the expenditure of Kshs.4,086,589.00 was authentic and a proper charge to public funds.

### 10.0 Irregular Supply of Goods and Services

The management purchased fuel worth Kshs.1,785,026.00 from two different suppliers during the period under review. However, the fuel was bought from firms that were not pre-qualified in 2014/2015 by the institution's tender committee.

Further, a written approval from the tender committee, including reasons for using alternative procurement procedure as required by Section 29 (3) of the Public Procurement and Disposal Act, 2005 were not made available for audit review. In addition, it was not possible to ascertain how the firms were identified and that they were the best and economical service providers.

In the circumstances, the Company contravened Public Procurement and Disposal Act, 2005 and it was not possible to ascertain that the Company got value for money in the transaction.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of Imetha Water and Sanitation Company Limited as at June 30 2015, and of its financial performance and its cash flows for the year then ended, and do not comply with International Financial Reporting Standards, the Water Act, 2002 and the Kenyan Companies Act.

### **Other Matter**

#### **1.0 Budgetary Control and Performance**

##### **1.1 Income**

The Company's approved budget reflected an income of Kshs.58,131,486 while the actual income was Kshs.82,444,945 resulting in an over collection of Kshs.24,313,459 as follows;

<b>Item</b>	<b>Budget (Kshs)</b>	<b>Actual (Kshs)</b>	<b>Variance (Kshs)</b>
Income	45,664,050	36,193,963	9,470,087
Other Income	-	36,454,506	36,454,506)
MWI Salary Subsidy	<u>12,467,436</u>	<u>9,796,476</u>	<u>2,670,960</u>
<b>Total</b>	<b><u>58,131,486</u></b>	<b><u>82,444,945</u></b>	<b><u>(24,313,459)</u></b>

##### **1.2 Expenditure**

The Company had budgeted to spend Kshs.55,770,917 but the actual expenditure was Kshs.68,868,941 resulting in an over expenditure of Kshs.13,098,025 as follows;

<b>Item</b>	<b>Budget (Kshs)</b>	<b>Actual (Kshs)</b>	<b>Variance (Kshs)</b>
Personnel Costs	26,045,184	25,610,673	434,511
Operational Costs	14,560,733	24,932,336	(10,371,603)

Repair & Maintenance	8,025,000	12,019,112	(3,994,112)
Capital Costs	<u>7,140,000</u>	<u>6,306,821</u>	<u>833,179</u>
<b>Total</b>	<b><u>55,770,917</u></b>	<b><u>68,868,941</u></b>	<b><u>(13,098,025)</u></b>

No supplementary budget was availed in support of the over expenditure. In addition, eight (8) development items with a budgeted total expenditure of Kshs.3,770,000 did not have any expenditure while five (5) other recurrent items reflected over – expenditures of above 200%. The detailed analysis of the income and expenditure is at **Appendix I**.

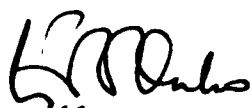
Consequently, the Company did not contain its operations within the approved budget during the year ended 30 June 2015.

My opinion is not qualified in respect of this matter.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenya Companies Act, I report based on the audit, that;

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit; and
- ii. In my opinion, proper books of account have not been kept by the company, so far as appears from my examination of those books; and
- iii. The company's statement of financial position is not in agreement with the books of account.



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

**Nairobi**

**27 July 2016**

## Appendix I : Budget Analysis

### INCOME ANALYSIS

Item	Budget Kshs	Actual Kshs	Variance Kshs	Absorption Rate
Income	45,664,050	36,193,963	9,470,087	79.26%
Other Income	-	36,454,506	(36,454,506)	
MWI Salary Subsidy	12,467,436	9,796,476	2,670,960	78.58%
<b>Total Income</b>	<b>58,131,486</b>	<b>82,444,945</b>	<b>(24,313,459)</b>	

### EXPENDITURE ANALYSIS

Item	Budget	Actual	Variance	Absorption Rate
<b>Personnel Costs</b>				
Regular Staff Salaries	12,240,000	15,810,197	(3,570,197)	129.17%
Casual Wages	1,440,000		1,440,000	0.00%
Top Ups	870,000	4,000	866,000	0.46%
Staff on Secondment Salaries	11,495,184	9,796,476	1,698,708	85.22%
<b>Total</b>	<b>26,045,184</b>	<b>25,610,673</b>	<b>434,511</b>	
<b>Operational Costs</b>				
Postage & Telephone	240,000	304,487	(64,487)	126.87%
Travelling and Subsistence	1,800,000	1,980,836	(180,836)	110.05%
Advertising and Publicity	225,000	286,656	(61,656)	127.40%
Fees, Levies and Permits	6,596,405	17,787,854	(11,191,449)	269.66%
General Expenses	600,000	240,379	359,621	40.06%
Office Stationery	600,000	525,933	74,067	87.66%
Professional Services	250,000	593,700	(343,700)	237.48%
Security	240,000	-	240,000	0.00%
Electricity & Water	1,200,000	754,767	445,233	62.90%
Staff Welfare	120,000	300,000	(180,000)	250.00%
Transport Hire	100,000	381,019	(281,019)	381.02%
Training Expenses	390,000	249,680	140,320	64.02%
Official Catering	600,000	563,415	36,585	93.90%
Insurance	120,000	115,190	4,810	95.99%
Uniforms	120,000	4,500	115,500	3.75%
Meetings and Conferences	300,000	163,000	137,000	54.33%

Social responsibility	150,000	5,000	145,000	3.33%
Biling system	100,000	71,920	28,080	71.92%
Directors Expense	582,000	594,000	(12,000)	102.06%
Audit fee Expenses	200,000	-	200,000	0.00%
IPD Drawings	27,328	10,000	17,328	36.59%
<b>Total</b>	<b>14,560,733</b>	<b>24,932,336</b>	<b>(10,371,603)</b>	

#### Repair and Maintenance

Item	Budget	Actual	Variance	Absorption Rate
Chemicals	2,350,000	2,282,717	67,283	97.14%
Repair & Maintenance	2,415,000	7,036,595	(4,621,595)	291.37%
Motor Expenses	500,000	700,751	(200,751)	140.15%
Fuel ,Oils & lubricants	2,400,000	1,599,286	800,714	66.64%
Rent and Rates	240,000	247,780	(7,780)	103.24%
Bank charges	120,000	151,983	(31,983)	126.65%
<b>Total</b>	<b>8,025,000</b>	<b>12,019,112</b>	<b>(3,994,112)</b>	

<b>Capital Costs</b>				
Furniture and Equipment	150,000	-	150,000	0.00%
Computer and Accessories	400,000	-	400,000	0.00%
Motor Cycles	240,000	-	240,000	0.00%
Motor Vehicles	600,000	-	600,000	0.00%
Customer Water Meters	2,000,000	750,250	1,249,750	37.51%
Pipes and Fittings	2,750,000	5,403,451	(2,653,451)	196.49%
W.T.P & Lab Equipment	500,000	153,120	346,880	30.62%
Loose Tools	500,000	-	500,000	0.00%
<b>Total</b>	<b>7,140,000</b>	<b>6,306,821</b>	<b>833,179</b>	
<b>Total</b>	<b>55,770,917</b>	<b>68,868,941</b>	<b>(13,098,025)</b>	

•  **Imetha water and sanitation company.**

•  **Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

**STATEMENT OF COMPREHENSIVE INCOME**

**Imetha Water and Sanitation company ltd  
Report and Financial Statements  
Statement of Comprehensive Income  
for the year ended 30th June 2015**

<b>INCOME</b>	<b>NOTE</b>	<b>2014-2015 Kshs</b>	<b>2013-2014 Kshs</b>
Water Sales	1	36,193,963	36,490,266
MWI subsidy	1	9,796,476	11,615,688
Other Incomes	1	36,420,131	1,421,987
<b>Total Income</b>		<b>82,410,570</b>	<b>49,527,941</b>
<b>EXPENDITURE</b>			
Depreciation charge	12	2,849,789	3,243,399
Provision for bad debts	6	395,539	200,280
Administrative costs	4	36,799,465	19,532,899
Personnel costs	2	25,610,673	26,337,439
Finance costs	3	151,983	114,376
Amortisation (Intangible Assets)		-	-
WIP		15,304,086	
<b>Total Expenditure</b>		<b>81,111,535</b>	<b>49,428,393</b>
Deficit/Surplus of Income		1,299,035	99,548
Income tax	10	203,073	2,509,878
Transfer to Reserves		<b>1,095,962</b>	<b>(2,410,329)</b>

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

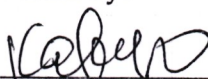
---

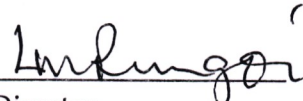
**STATEMENT OF FINANCIAL POSITION**


**Imetha Water and Sanitation company ltd  
Report and Financial Statements  
Statement of Financial Position  
As at 30th June 2015**

	NOTES	2014-2015 Ksh	2013-2014 Ksh
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property plant and equipment	12	20,926,366	17469334
<b>Total Non-current assets</b>		<b>20,926,366</b>	<b>17469334</b>
<b>Current Assets</b>			
Inventory	9	531,977	1,468,946
Trade and other Receivables	6	15,395,594	11,814,375
Cash and cash equivalents	5	22,713,822	2,978,528
		<b>38,641,392</b>	<b>16,261,849</b>
<b>Current Liabilities</b>			
Customer Advances			-
Trade and other Payables	7	26,158,279	14,314,181
<b>Total Current Liabilities</b>		<b>26,158,279</b>	<b>14,314,181</b>
<b>Net Current Assets</b>		<b>12,483,114</b>	<b>1,947,668</b>
<b>TOTAL ASSETS</b>		<b>33,409,480</b>	<b>19,417,001.50</b>
<b>EQUITY AND LIABILITIES</b>			
Capital Reserves	8(a)	23,273,909	10,377,392
Revenue Reserves	8(b)	10,135,571	9,039,610
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>33,409,480</b>	<b>19,417,002</b>

The financial statements were approved by the Board on 29/10 2015 and signed on its behalf by:

  
Chairman

  
Director

  
Director

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

**STATEMENT OF CHANGES IN EQUITY**

**Imetha Water and Sanitation company Ltd  
Report and Financial Statements  
Statement of changes in Reserves  
for the year ended 30th June 2015**

	<b>Capital Reserves KSH</b>	<b>Revenue Reserves KSH</b>	<b>Total KSH</b>
As at 1st July 2013	10,515,737	11,449,938	21,965,675
Capital Grants TWSB for the year	-	-	-
Armotisation of Capital Grant	(1,378,948)	-	(1,378,948)
WSTF	1,240,603		1,240,603
Suplus/Deficit for the year		(2,410,328)	(2,410,328)
<b>As at 30th June 2014</b>	<b>10,377,392</b>	<b>9,039,610</b>	<b>19,417,002</b>
	-		
As at 1st July 2014	10,377,392	9,039,610	19,417,002
Armotisation of Capital Grant	(1,166,967)	-	(1,166,967)
WSTF	(1,240,603)		(1,240,603)
Work in Progress	15,304,086		15,304,086
Suplus/Deficit for the year		1,095,962	1,095,962
<b>As at 30th June 2015</b>	<b>23,273,908</b>	<b>10,135,572</b>	<b>33,409,480</b>

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

**STATEMENT OF CASH FLOWS**

	2014-2015	2013-2014
	KSH	KSH
<b>Cash flow from operating activities</b>		
Net deficit/Surplus for the year	1,095,962	(2,410,328)
<b>Adjustment of non-cash items</b>		
Amortization of Capital Grant	(1,166,966)	(1,378,948)
Depreciation charge	2,849,789	3,243,399
	2,778,785	(545,877)
<b>Working Capital Changes</b>		
Decrease in inventory	936,969	288,341
Increase in Trade & other receivables	(3,581,219)	(1,961,589)
Increase in Trade & other payables	11,844,098	2,783,176
Decrease in Customer Advances	-	(53,812)
<b>Net Cash flow from operating activities</b>	<b>11,978,632</b>	<b>510,240</b>
<b>Cash flow from Investing activities</b>		
Aquisition of Property, Plant & Equipment	(6,306,821)	(459,139)
<b>Net Cash flow before financing activities</b>	<b>5,671,811</b>	<b>51,101</b>
<b>Cash flow from Financing activities</b>		
Increase In Capital Reserves	14,063,483	1,240,603
<b>Net decrease in cash and cash equivalents</b>	<b>19,735,294</b>	<b>1,291,704</b>
Cash and cash equivalents as at 1st July 2014	2,978,528	1,686,825
Cash and cash equivalents as at 30th June 2015	<u>22,713,822</u>	<u>2,978,528</u>

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**1. Statement of compliance and basis of preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *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.

**2. 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.

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

- 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.

**3. 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.

**4. 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.

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

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.

**5. 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:

<b>Meters</b>	<b>12%</b>
<b>Pipes and fittings</b>	<b>20%</b>
<b>Furniture and Equipment</b>	<b>12.5%</b>

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

Motor Vehicles & cycles	25%
Computer and accessories	30%
W.T.P Equipment	12.5%
Loose Tools	33.33%

**6. 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.

**7. 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.

**8. Amortisation and impairment of intangible 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%

## **Imetha water and sanitation company.**

### **Reports and Financial Statements For the year ended June 30, 2015 (Kshs)**

---

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.

#### **9. 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.

#### **10. 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.

#### **11. 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.

#### **12. 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.

**13. 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 imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**14. 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.

**15. Provision for staff leave pay**

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

**16. 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, 2014.

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1  
INCOME**

	<b>2014-2015</b>	<b>2013-2014</b>
	<b>KSH</b>	<b>KSH</b>
Water Sales	35,123,143	35,103,866
Reconnection Fees	72,800	188,800
Labour Charges	998,020	1,197,600
<b>Total</b>	<b>36,193,963</b>	<b>36,490,266</b>
<b>Other Incomes</b>		
Bank Interest	9,189	10,541
Sundry Incomes	66,005	32,498
Armotisation of Capital Grant	1,166,966	1,378,948
Adjustement for Audit-fees	286,000	
Tharaka Nithi County Grant & KENHA compensation	34,891,970	-
	<b>36,420,570</b>	<b>1,421,987</b>
MWI Salary subsidy	9,796,476	11,615,688.00
<b>Total subsidies</b>	<b>9,796,476</b>	<b>11,615,688.00</b>
<b>Grand total income</b>	<b>82,410,570</b>	<b>49,527,941.00</b>

**NOTE 2**

	<b>2014-2015</b>	<b>2013-2014</b>
	<b>KSH</b>	<b>KSH</b>
<b>Personnel Costs</b>		
GOK Salaries	9,796,476.00	11,615,688.00
Salaries & Wages	15,810,196.90	14,685,351.00
Top up	4,000.00	36,400.00
	<b>25,610,672.90</b>	<b>26,337,439.00</b>

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

**NOTE 3**

**FINANCE COSTS**

Bank Withholding interest	1,150.86	
Bank charges	150,831.85	112,375.96
	<b>151,982.71</b>	<b>112,375.96</b>

**NOTE4**

	<b>2014-2015</b>	<b>2013-2014</b>
<b>Administrative Costs</b>	<b>KSH</b>	<b>KSH</b>
Postage & Telephone	304,487.00	221,695.00
Travelling and Subsistence	1,980,836.00	2,928,490.00
Advertising and Publicity	286,656.00	230,666.00
Fees, Levies and Permits	17,787,853.61	3,698,105.00
General Expenses	240,379.00	564,849.00
Office Stationery	525,933.00	320,274.00
Professional Services	593,700.00	380,840.00
Security	-	144,000.00
Electricity & Water	754,767.00	800,796.00
Staff Welfare	300,000.00	107,600.00
Transport Hire	381,019.00	37,500.00
Training Expenses	249,680.00	176,600.00
Official Catering	563,415.00	676,607.00
Insurance	115,190.00	74,877.00
Uniforms	4,500.00	15,540.00
Meetings and Conferences	163,000.00	453,700.00
Social responsibility	5,000.00	42,205.00
biling system	71,920.00	191,540.00
Operation & Maintenance (see note11)	11,867,129.00	7,632,015.00
Directors Expence	594,000.00	571,000.00
Audit fee Expenses	-	264,000.00
IPD Drawings	10,000.00	
	<b>36,799,464.61</b>	<b>19,532,899.00</b>

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

<b>NOTE5</b>	<b>2014-2015</b>	<b>2013-2014</b>
<b>Cash and cash equivalents</b>	<b>KSH</b>	<b>KSH</b>
Bank : Current Co-op	981,523	772,294
Current Borehole	48,025	309,559
Savings Co-op	1,699,690	338,423
Savings M.C Sacco	577,346	316,583
Current Co-op WSTF	0	1,240,603
Project Account	19,274,765	-
Cash in transit	131,243	
Cash at hand	1,229.00	1,067
	<hr/>	<hr/>
	<b>22,713,822</b>	<b>2,978,529</b>
	<hr/>	<hr/>

<b>NOTE 6</b>	<b>2014-2015</b>	<b>2013-2014</b>
<b>TRADE AND OTHER RECIEVABLES</b>	<b>KSH</b>	<b>KSH</b>
Bal b/d	11,036,225	9,033,430
Bills For the year	35,123,143	37,106,661
<b>Total bills</b>	<b>46,159,368</b>	<b>46,140,091</b>
Less Bills received	31,167,750	35,103,866
<b>Total bills receivables</b>	<b>14,991,619</b>	<b>11,036,225</b>
Less 10% provision for bad debts	1,499,162	1,103,623
Staff debts	1,203,907	1,261,407
Unsurrendered imprest	495,230	416,365
Performance Guarantee Co-op	204,000	204,000
	<hr/>	<hr/>
<b>Net receivables</b>	<b>15,395,594</b>	<b>11,814,375</b>
	<hr/>	<hr/>

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

<b>NOTE7</b>	<b>2014-2015</b>	<b>2013-2014</b>
<b>Trade and other payables</b>	<b>KSH</b>	<b>KSH</b>
Trade creditors	12,733,653.90	3,433,580.00
Accruals	3,992,024.61	2,477,401.00
Customer Water deposits	8,222,600.00	7,339,200.00
Provision for audit fees	232,000.00	232,000.00
Audit fees payable	978,000.00	832,000.00
<b>Total Trade and other payables</b>	<b>26,158,278.51</b>	<b>14,314,181.00</b>

**NOTE 8  
Capital and Reserves**

a) <u>Capital Reserve(Deferred Income)</u>	10,377,392	10,515,736
b) <u>Revenue Reserves</u>		
At start	11,449,938	12,052,165
Restatement of opening balance	-	
Surplus/Deficit for the year	(2,410,329)	(602,227)
	<u>9,039,610</u>	<u>11,449,938</u>

<b>NOTE 9</b>	<b>2014-2015</b>	<b>2013-2014</b>
<b>INVENTORY</b>	<b>KSH</b>	<b>KSH</b>
Stationery	102,414	163,501.00
Meters	-	750,250.00
Chemicals	45,606	429,870.00
Repairs & Maintenance	383,957	125,325.00
	<u>531,977</u>	<u>1,468,946.00</u>

<b>NOTE10</b>		
Income Tax	203,072.65	2,509,878.00

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

**NOTE11**

<b>Operation and Maintenance</b>	<b>2014-2015 KSH</b>	<b>2013-2014 KSH</b>
Chemicals	2,282,717.00	1,832,540.00
Repair & Maintainance	7,036,595.00	2,291,505.00
Motor Expenses	700,751.00	616,582.00
Fuel ,Oils & lubricants	1,599,286.00	2,771,788.00
Rent and Rates	247,780.00	119,600.00
	<hr/>	<hr/>
	<b>11,867,129.00</b>	<b>7,632,015.00</b>

Imetha water and sanitation company.

Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)

12 PROPERTY, PLANT AND EQUIPMENT

COST	METERS		MOTOR CYCLES		FURNITURE & EQUIPMENT		COMPUTERS & ELECTRONICS		PIPES & FITTINGS		WATER TREATMENT PLANT & EQUIP.		MOTOR VEHICLES		LOOSE TOOLS		LAND		TOTAL
	KSH		KSH		KSH		KSH		KSH		KSH		KSH		KSH		KSH		KSH
As at 1/7/14	14,375,167		2,505,920		723,740		1,521,859		10,440,043		1,776,895		2,038,100		13,587		290,000		33,685,311
NET ADDITIONS	750,250		-		-		-		5,403,451		153,120		-		-		-		6,306,821
As at 30/6/15	15,125,417		2,505,920		723,740		1,521,859		15,843,494		1,930,015		2,038,100		13,587		290,000		39,992,132
DEPRECIATION																			
As at 1/7/14	4,828,806		1,815,310		263,882		1,265,723		5,944,666		543,202		1,548,479		5,909		-		16,215,977
Charge for the year	1,235,593		172,653		57,482		76,841		1,008,909		173,352		122,401		2,559		-		2,849,789
As 30/6/15	6,064,399		1,987,963		321,364		1,342,564		6,953,575		716,554		1,670,880		8,468		-		19,065,766
NET BOOK VALUE																			
AS at 30/6/15	9,061,018		517,958		402,376		179,295		8,889,919		1,213,461		367,220		5,119		290,000		20,926,366
As at 30/6/14	9,546,361		690,610		459,858		256,136		4,495,377		1,233,693		489,621		7,678		290,000		17,469,334

**Imetha water and sanitation company.**

**Reports and Financial Statements  
For the year ended June 30, 2015 (Kshs)**

---

**13. 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.

**14. 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.

**15. CONTINGENT LIABILITIES**

Bank guarantees 204,000

*[Bank guarantee is in relation to Service Provision Agreement between Imethawasco and licensee Tana Water Services Board)]*

**16. INCORPORATION**

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