Paper Laid
By the Leader of Majority Party
on Wed 26/8/2015

REPUBLIC OF KENYA

KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF IMETHA WATER AND SANITATION COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE 2014

IMETHA WATER AND SANITATION COMPANY

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014

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

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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 31st 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. James M. M'Murungi	Chairman	16th March2006	6th March 2014
2	Mr. Paul K. Tharamba	Director	16th March 2006	6th March 2014
3	Mr. Joseph M. Kibaki	Director	16th March 2006	6th March 2014
4	Mr. Felix K. Rimberia	Director	6th October 2010	6th March 2014
5	Mr. David Mwebia	Director	6th October 2010	6th March 2014
6	Mr. StanleyM.M'Imea	Director	6th October 2010	
7	Mr. Patrick Mugendi	Director	6th October 2010	6th March 2014
8	Mr. Michael M.Kabugo	Director	6th October 2010	
9	Mr.Jephtha M. Kirianyama	Director	6th October 2010	
10	Mr. David M.Marundu	Director	6th October 2010	
11	Mr. John M. Mugambi	Director	6th March 2014	
12	Mr. Ng'oluaMuaine	Director	6th March 2014	
13	Mr. MburungaThiruaine	Director	6th March 2014	
14	Mrs. LorineM. Rungoi	Director	6th March 2014	
15	Mr. David Gitonga	Director	6th March 2014	
16	Mr. Moses Nabea	Director	6th March 2014	
17	Ms. Lucy Karimi	Director	6th March 2014	

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

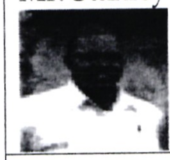
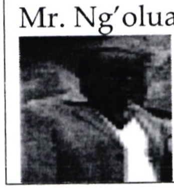
2. Capital Sacco
   Timau branch
   P.O. Box 1479-60200
   Meru

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

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

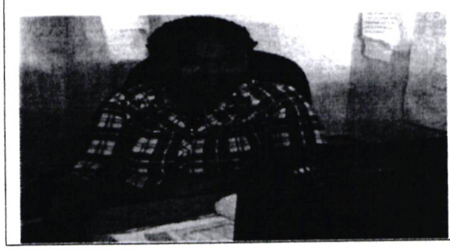
Insert each Director's passport-size photo and name, and key profession/academic qualifications	Provide a concise description of each Director's date of birth, key qualifications and work experience
Mr. Michael Mugambi Kabugo 	Date of birth: 1953 Profession/Academic Diploma in Clinical medicine Work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

Mr. MburungaThiruaine 	Date of birth;1967 Profession/Academic : CPA II, Bachelor of commerce (Insurance option) Work experience: 25years
Ms. LorineMuthoniRungoi 	Date of birth:24th April 1951 Profession/Academic : Teacher Work experience:
Mr. David Gitonga 	Date of birth: Profession/Academic : Work experience:
Mr. Moses Nabea 	Date of birth: Profession/Academic : Work experience:
Ms. Lucy Karimi 	Date of birth: Profession/Academic : Work experience: Profession/Academic : Work experience:

<table>
<tr><td rowspan="2"></td><td>Key profession/
Academic qualifications: Bachelor of science Degree in Water and Environmental Engineering</td></tr>
<tr><td>Responsibility: General Manager</td></tr>
<tr><td rowspan="2"></td><td>Key profession/
Academic qualifications: CPS(K)</td></tr>
<tr><td>Responsibility: Company Secretary</td></tr>
</table>

MANAGEMENT TEAM:

1. Mr. Chris Kaberia 	Key profession/ Academic qualifications: Bachelor of science Degree in Water and Environmental Engineering
	Responsibility: General Manager
2. Mr. Kenneth M. Mugaa 	Key profession/ Academic qualifications: Higher National Diploma in Water Engineering
	Responsibility: Technical Manager
3. Mr. Geoffrey Muchai 	Key profession/ Academic qualifications: Bachelor of Commerce Accounting Option and CPA(K)
	Responsibility: Accountant
5. Mr. Nicholas Gitonga 	Key profession/ Academic qualifications: Diploma in purchases and supplies
	Responsibility: Procurement Officer

6. Mr. Alex \Kimathi 	Key profession/ Academic qualifications: Diploma in Information Technology Responsibility: ICT officer
7. Mr. Michael N. Marete 	Key profession/ Academic qualification: CPS K, CPA K, Bachelors degree in commerce Responsibility: company secretary
8. Ms. Winfred Mukiri 	Key profession/ CPA K, Bachelor's degree in commerce Banking and Finance option Responsibility: Internal Auditor

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 fifth 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 30th June, 2013.

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 exist 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 post a sizeable **19.8** % growth in her turnover. i.e. from **Kshs.29, 298,019/=** in the financial year 2012/2013 to **Kshs. 36,490,266/=** in the financial year 2013/2014.

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. 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 33%. 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 2013/2014 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 now is over **5000** registered connections serving about **45,000** 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.

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 2014 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 though Tana Water Services 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.

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 Tharaka Nithi 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

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 2013/2014. 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. 36,490,266/=** during the year under review. This was **Kshs. 5,805,847/=** above the previous year. Actual revenue collected increased from Kshs. **29,298,019/=** in 2012/2013 to Kshs**35,103,866/=** in 2013/2014.

This was a remarkable Kshs.**5,805,847/=**increase. This came as a result of increased number of active connections from **4985** in 2012/2013 to **5300** in 2013/2014 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 **65** % in 2012/2013 to **57%** in 2013/2014 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.

Ladies and gentlemen, let me point out at this juncture that our internally generated funds enabled us to absorb most of our operations activities including the company's statutory obligations which included payment of accumulated tax arrears of **Kshs 2,390,116/=** in corporation tax.

Ladies and gentlemen, under finance, it is worth to note here that the company also received and utilized a development grant from WSTF in the tune of **Kshs.17.8** million to rehabilitate the distribution network and construction of water storage tank in Mwimbi water scheme and **Kshs. 14.7** million to rehabilitate the transmission line and construction of a water tank in Timau water scheme during 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.

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. Proposals were raised and funded by WSTF under the UPC program in the 5th and 6th calls. Funds in grant to the tune of **32.5 million** were availed to the company.

The funds were utilized to do the following works:-

- Rehabilitation of 1No. $25m^3$ tank
- Rehabilitation of 1No. $50m^3$ tank
- Construction of 2No. 150 m^3 tank
- 26.75 Km Pipeline extension
- Construction of 10 No. yard taps
- Construction of 1No. Water kiosk.

These works are expected to benefit a projected population of over **25,000** people in Timau and Mwimbi water schemes.

The African Development Bank (ADB) through Tana Water Services Board financed the construction of an intake structure, raw water main and 2 No. water treatment plants in Maua water scheme at a cost of **320 million.**

The County Government of Tharaka Nithi in conjunction with Tana Water Services Board availed a total of **Kshs. 6 million** to realign the Kibung'a/Kakimiki raw water main. The company also injected **Kshs. 500,000/=** toward s the works.

The County Government of Meru is doing water works in Timau, Nkubu and Tigania water schemes. The works includes extension of water lines and construction of water tanks. The cost of these works is Kshs. 55 million.

The company has continuously ploughed back 30% of revenue generated internally to extend services to customers in unserved areas.

5.0 ADMINISTRATION

During the year under review, the company had a workforce of **137** members of staff with**102** being direct employees of the company and **35** 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 two assistant accountants leaving the company.

As a way of building the capacity of the staff, the company organized trainings and exchange programmes with other WSP's for benchmarking purpose and to share on the best practices employed in management and operation of water utilities. In- house trainings were also conducted.

6.0 CHALLENGES

Ladies and gentlemen, the company never went without it 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 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 2016.
b) Expand and diversity revenue base.
c) Improve service delivery to customers
d) Enhance capacity of board members, management team and staff.
e) Strengthen institutional framework and capacity
f) Improve the collection efficiency to 80% by 2016
g) Achieve 90% metering ratio by 2016
h) Reduce NRW to below 50% by 2016
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 for 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 Tharaka Nithi 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

CORPORATE GOVERNANCE STATEMENT

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

The Board of directors

The Board's most significant responsibilities are:

Stakeholder interests

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

Strategy

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

Performance

- Reviewing business results; and
- Monitoring budgets.

Integrity of external reporting

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

Risk management and compliance

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

Board performance

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

Composition of the Board

The 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;

- 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, nor more than 11 directors. At the date of this report, the Board consisted of 11 directors, comprising:

- Seven directors representing schemes where the company operates and four 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.

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. The company participated in Meru Greening team in planting trees in local primaryschools.

In Mwimbi and Timau Water Schemes the company mobilized resources by writing proposals for funding from Water Services Trust Fund. The fund by WSTF serves as an incentivize to commercially financed projects in the water sector. Through this programme a population of 11750 and 12750 in Mwimbi and Timau areas respectively benefited. This also benefited institutions including schools, clinics and churches.

Through the fund totalling to 35,830,906, the company was able to:

i. Supply adequate, affordable and reliable drinking water to Mwimbi and Timau Water Schemes.
ii. To provide sufficient storage to the underserved low income areas.
iii. To improve the health standards of Mwimbi and Timau Water Schemes by providing safe drinking water
iv. To address the problem of high non-revenue water (NRW) and thus improve the revenue base of the company.
v. To increase the company's coverage by supplying the targeted underserved

The company involved the local women groups available and youth groups during community mobilization. Training on water health and sanitation was conducted during community barazas. Five yard taps were constructed in low income areas. Training for kiosk operators was also conducted.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 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, 2014 are set out on page 21-36.

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, Mr. James M. M'Murungi, Mr. Paul K. Tharamba, Mr. Joseph M. Kibaki , Mr. Felix K. Rimberia Mr. David Mwebia and Mr Patrick Mugendi retire by rotation and, being eligible offer themselves for re-election.

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, 2014.

By Order of the Board

IMETHAWATER AND SANITATION COMPANY
BOARD CHAIRMAN
MERU

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, 2014. 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.

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, 2014, 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 28/ oct / 2014 and signed on its behalf by:

Director

Director

Director

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

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON IMETHA WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Imetha Water and Sanitation Company Limited set out on pages 29 to 44 which comprise of the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and the 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 2010 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.

The Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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 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 of the Public Audit Act, 2003 and submit the audit report in accordance with the provisions of Article 229 (7) of the constitution. 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 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 qualified audit opinion.

Basis for Qualified Opinion

1. Trade and other Payables – Customers Deposits

Included in the trade and other payable balance of Kshs.14,314,181 as at 30 June 2014 is an amount of Kshs.7,339,200 for customers deposits whose ledger balance was shown as Kshs.857,800 resulting to an un-explained variance of Kshs.6,481,400. Further, the monthly summaries for the customers' deposits gave a figure of Kshs.903,400 while the cash book has another balance of Kshs.1,194,175.

In the circumstances, it has not been possible to ascertain the accuracy and completeness of the trade and other payables balance of Kshs.14, 314,181 as at 30 June 2014.

2. Inventory

The inventory balance of Kshs.1,468,946 as at 30 June 2014 include stock of meters valued at Kshs.750,250 whose store cards and physical count balance was Kshs.192,500 resulting to an un-explained variance of Kshs.557,750.

Consequently, the accuracy of the inventory balance of Kshs.1,468,946 as at 30 June 2014 could not be confirmed.

3. Revenue

The revenue from sale of water of Kshs.36,490,266 as shown in the statement of comprehensive income was supported with schedules amounting to Kshs.34,955,324 resulting to unsupported income of Kshs.1,534,942. Further, the Company did not maintain sales ledger thus making it difficult to confirm the correct balance as reported. Income received in kind (repair and maintenance expenses) from the Meru County Government of Kshs.55 million and Kshs.35,830,906 received (from the Water Services Trust Fund) and utilized for corporate social responsibility has also not been recognized and disclosed in the financial statements as at 30 June 2014.

Similarly, other incomes balance of Kshs.1,421,988 includes amortization of Capital Grant of Kshs.1,378,948 without supporting documents. The company did not have any policy on amortization of capital grants. It was therefore not possible to confirm the basis of the amortization charge for the year.

In the circumstances, it has not been possible to confirm the correctness and completeness of the revenue from sale of water balance of Kshs.36,490,266 as stated in the statement of comprehensive income as at 30 June 2014.

4. Unaccounted for Water

During the year under review, the Company produced a total of 2,171,947 cubic meters ($m^{3)}$ water. However and out of this volume, only 1,388,789 m^3 or (64%) was billed to customers.

The balance of 783,158 m^3 or approximately 36% of the total volume represented unaccounted for water (UFW) which is 11% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines. The UFW may have resulted in loss of water sales estimated at Kshs.101,810,540.

The significant level of UFW may negatively impact on the company's profitability and its long term sustainability.

5. Income Tax

The statement of comprehensive income shows income tax of Kshs.2,509,878, (2013:Kshs.103,200) as at 30 June 2014. However, Note 17 referred to has details on company incorporation and Note 11 on Income tax does not show the basis of the income tax of Kshs.2,509,878. Further, the company only made a surplus of Kshs.99,549 (2013: Kshs.(499,028) for the year ended 30 June 2014.

In the circumstance, the validity and accuracy of the income tax balance of Kshs.2,509,878 could not be confirmed as at 30 June 2014.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion Paragraph, the financial statements present fairly, in all material respects the financial position for the Company as at 30 June 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards and comply with both the Water Act, 2002 and the Companies Act, Cap 486 of the Laws of Kenya.

Other Matter

Late Submission of Financial Statements

The 2013/2014 financial statement for Imetha Water and Sewerage Company were submitted for audit on 30 October 2014, one month after the statutory deadline. Management has not given any explanation as to why they could not meet the statutory deadline. My opinion is not qualified in respect to the above matter.

REPORTING ON OTHER LEGAL AND REGULATORY REQUIREMENT

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

i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

ii) In my opinion, proper books of account have been kept by the company, so far as appears from my examination of those books.

iii) The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

03 August 2015

STATEMENT OF COMPREHENSIVE INCOME

Imetha Water and Sanitation company ltd
Report and Financial Statements
Statement of Comprehensive Income
for the year ended 30th June 2014

INCOME	NOTE	2013-2014 Kshs	2012-13 Kshs
Water Sales	1	36,490,266	30,427,379
MWI subsidy	1	11,615,688	12,201,434
Other Incomes	1	1,421,988	1,668,103
Total Income		**49,527,942**	**44,296,916**
EXPENDITURE			
Depreciation charge	13	3,243,399	4,292,086
Provision for bad debts	6	200,280	140,859
Administrative costs	4	19,532,899	18,115,570
Personnel costs	2	26,337,439	21,299,150
Finance costs	3	114,376	91,929
Amortization (Intangible Assets)	10	-	100,000
Total Expenditure		**49,428,393**	**44,795,944**
Deficit/Surplus of Income		99,549	(499,028)
Income tax	17	2,509,878	103,200
Net Deficit		**(2,410,328)**	**(602,228)**

STATEMENT OF FINANCIAL POSITION

Imetha Water and Sanitation company ltd
Report and Financial Statements
Statement of Financial Position
As at 30th June 2014

	NOTES	2013-2014 Ksh	2012-13 Ksh
ASSETS			
Non-current Assets			
Property plant and equipment	12	17469334	20,253,594
Total Non-current assets		**17469334**	**20,253,594**
Current Assets			
Inventory	9	1,468,946	1,757,287
Trade and other Receivables	6	11,814,375	9,852,786
Cash and cash equivalents	5	2,978,528	1,686,824
		16,261,849	**13,296,897**
Current Liabilities			
Customer Advances		-	53,812
Trade and other Payables	7	14,314,181	11,531,005
Total Current Liabilities		**14,314,181**	**11,584,817**
Net Current Assets		1,947,668	1,712,080
TOTAL ASSETS		**19,417,002**	**21,965,674**
EQUITY AND LIABILITIES			
Capital Reserves	8(a)	10,377,392	10,515,736
Revenue Reserves	8(b)	9,039,609	11,449,938
TOTAL EQUITY AND LIABILITIES		**19,417,002**	**21,965,674**

The financial statements were approved by the Board on 23/oct/2014 and signed on its behalf by:

Chairman　　　　Director　　　　Director

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 2014

	Capital Reserves KSH	Revenue Reserves KSH	Total KSH
As at 1st July 2012	4,145,659	12,052,165	16,197,824
Capital Grants TWSB for the year	7,889,600	-	7,889,600
Armotisation of Capital Grant	(1,519,782)	-	(1,519,782)
Restatement of reserve	260		260
Suplus/Deficit for the year		(602,227.29)	(602,227)
As at 30th June 2013	**10,515,737**	**11,449,938**	**21,965,675**
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)	(2,410,329)
As at 30th June 2014	**10,377,392**	**9,039,609**	**19,417,002**

STATEMENT OF CASH FLOWS

Imetha Water and Sanitation company ltd
Report and Financial Statements
For the year ended 30th June 2014
Statement of Cash Flows

	2013-2014	**2012-2013**
Cash flow from operating activities	**KSH**	**KSH**
Net deficit/Surplus for the year	(2,410,328)	(602,227)
Adjustment of non-cash items		
Armotisation of Capital Grant	(1,378,948)	(1,519,782)
Armotisation of Intangible Assets	-	100,000
Loss on disposal		134,467
Depreciation charge	3,243,399	4,292,086
	(545,877)	2,404,544
Working Capital Changes		
Decrease in inventory	288,341	150,368
Increase in Trade& other receivables	(1,961,589)	(1,109,760)
Increase in Trade& other payables	2,783,176	(227,820)
Decrease in Customer Advances	(53,812)	32,432
Net Cash flow from operating activities	**510,240**	**1,249,764**
Cash flow from Investing activities		
Acquisition of Property,Plant & Equipment	(459,139)	(8,963,879)
Acquisition of Intangible Assets	-	-
Net Cash flow before financing activities	**51,101**	**(7,714,115)**
Cash flow from Financing activities		
Increase In Capital Reserves	1,240,603	7,889,600
Adjustment of cash and cash equivalent		
Net decrease in cash and cash equivalents	**1,291,704**	**175,485**
Cash and cash equivalents as at 1st July 2013	**1,686,825**	**1,511,340**
Cash and cash equivalents as at 30th June 2014	**2,978,529**	**1,686,825**

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **(Continued)**

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.

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

<u>Depreciation:</u>

This has been calculated on reducing balance method pro-rata to time of purchase using the following rates:

Meters	12%
Pipes and fittings	20%
Furniture and Equipment	12.5%

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

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%

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 handing 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 ofchanges 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. At 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1
INCOME

	2013-2014 KSH	2012-2013 KSH
Water Sales	35,103,866	29,630,079
Reconnection Fees	188,800	69,700
Labour Charges	1,197,600	727,600
Total	**36,490,266**	**30,427,379**

Other Incomes		
Bank Interest	10,541	4,993
Sundry Incomes	32,498	143,327
Armotisation of Capital Grant	1,378,948	1,519,782
	1,421,988	**1,668,103**

MWI chemicals subsidy	-	706,250
MWI Salary subsidy	11,615,688	11,495,184
Total subsidies	**11,615,688**	**12,201,434**

NOTE 2

	2013-2014 KSH	2012-2013
Personnel Costs		
GOK Salaries	11,615,688	11,495,184
Salaries & Wages	14,685,351	9,770,966
Staff motivation	-	11,000
Top up	36,400	22,000
	26,337,439	**21,299,150**

NOTE 3
FINANCE COSTS

Bank charges	114,375.96	91,929.00

NOTE 4	2013-2014	2013-12
Administrative Costs	**KSH**	**KSH**
Postage & Telephone	221,695.00	269,460.00
Travelling and Subsistence	2,928,490.00	2,079,935.00
Advertising and Publicity	230,666.00	125,802.00
Fees, Levies and Permits	3,698,105.00	3,593,791.00
General Expenses	564,849.00	832,744.00
Office Stationery	320,274.00	521,138.00
Professional Services	380,840.00	471,600.00
Security	144,000.00	812,450.00
Electricity & Water	800,796.00	681,512.00
Staff Welfare	107,600.00	56,625.00
Transport Hire	37,500.00	129,550.00
Training Expenses	176,600.00	75,900.00
Official Catering	676,607.00	26,005.00
Insurance	74,877.00	76,861.00
Uniforms	15,540.00	3,750.00
Meetings and Conferences	453,700.00	452,490.00
Social responsibility	42,205.00	104,500.00
billing system	191,540.00	
Loss on disposal	-	134,467.00
Operation & Maintenance(note12)	7,632,015.00	7,666,990.00
Directors Expenses	571,000.00	556,350.00
Audit fees expenses	264,000.00	200,000.00
	19,532,899.00	**18,115,570.00**

NOTE 5

Cash and cash equivalents

Bank :	Current Co-op	772,294	260,020
	Current Borehole	309,559	135,541
	Savings Co-op	338,423	1,107,775
	Savings M.C Sacco	316,583	180,588
	Current Co-op WSTF	1,240,603	-
Cash at hand		1,067	2,900
		2,978,528	1,686,824

NOTE 6 **TRADE AND OTHER RECIEVABLES**	2013-2014	**2012-2013** **KSH**
Bal b/d	9,033,430	7,624,843
Bills For the year	37,106,661	30,706,606
Total bills	**46,140,091**	**38,331,449**
Less Bills received	35,103,866	**29,298,019**
Total bills receivable	**11,036,225**	9,033,430
Less 10% provision for bad debts	1,103,623	903,343
Staff debts	1,261,407	1,325,787
Unsurrendered imprest	416,365	192,912
Performance Guarantee Co-op	204,000	204,000
Net receivables	**11,814,375**	**9,852,786**

NOTE 7
Trade and other payables

Trade creditors	3,433,580	3,800,240
Accruals	2,477,401	493,365
Customer Water deposits	7,339,200	6,437,400
Provision for audit fees	232,000	200,000
Audit fees payable	832,000	600,000
Total Trade and other payables	**14,314,181**	**11,531,005**

NOTE 8
Capital and Reserves

a) Capital Reserve(Deferred Income)	10,377,392	10,515,736
b) Revenue Reserves		
At start	11,449,938	12,052,165
Restatement of opening balance		-
Surplus/Deficit for the year	(2,410,329)	(602,227)
	9,039,609	11,449,938

NOTE 9	2013-2014 KSH	2012-2013 KSH
INVENTORY		
Stationery	163,501	241,197
Pipes & Fittings	-	-
Meters	750,250	1,154,350
Chemicals	429,870	177,680
Repairs & Maintenance	125,325	184,060
	1,468,946	1,757,287

NOTE 10		
INTANGIBLE ASSETS		
Accounting & Payroll Software (Cost)	-	300,000
less Armotisation charged	-	100,000
less Acculated Armotisation to date	-	200,000
Balance as at 30th June for FY ended 2013/2014respectively	-	-

NOTE 11		
Income tax	2,509,878	103,200

NOTE 12

Operation and Maintenance

	KSH	KSH
Chemicals	1,832,540.00	1,691,670.00
Repair &Maintenance	2,291,505.00	2,927,613.00
Motor Expenses	616,582.00	554,522.00
Fuel ,Oils & lubricants	2,771,788.00	2,330,285.00
Company's website	-	-
IPD drawings	-	-
Rent and Rates	119,600.00	162,900.00
	7,632,015.00	**7,666,990.00**

13 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 1/7/13	1,397,1067	2,505,920	576,740	1,521,859	10,532,004	1,776,895	2,038,100	13,587	290,000	33,226,172
NET ADDITIONS	404,100	-	147,000	-	(91961)	-	-	-	-	459,139
As at 30/6/13	14,375,167	2,505,920	723,740	1,521,859	10,440,043	1,776,895	2,038,100	13,587	290,000	33,685311
DEPRECIATION										
As at 1/7/13	3,440,709	1,585,107	215,688	1,155,950	4,820,822	366,960	1,385,272	2,070	-	12,972,579
Charge for the year	1,388,097	230,203	48,194	109,773	1,123,844	176,242	163,207	3,839	-	3,243,399
As 30/6/14	4,828,806	1,815,310	263,882	1,265,723	5,944,666	543,202	1,548,479	5,909	-	16,215,977
NET BOOK VALUE										
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
As at 30/6/13	10,530,358	920,813	361,052	365,909	5,711,182	1,409,935	652,828	11,517	290,000	20,253,593

14. 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.

15. 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.

16. CONTINGENT LIABILITIES

Bank guarantees	204,000

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

17. INCORPORATION

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