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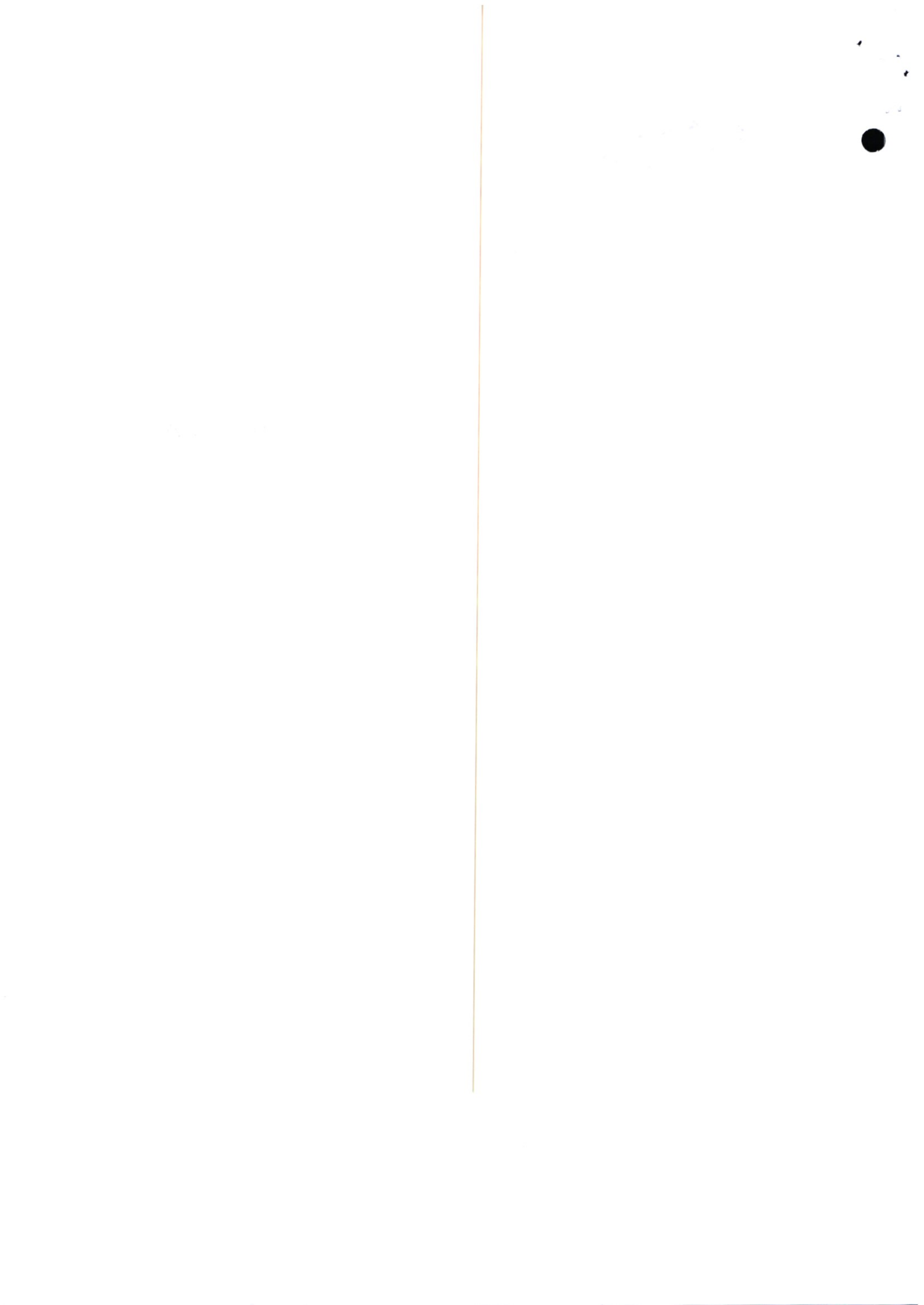
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THE AUDITOR-GENERAL

ON

**CHERANG'ANY MARAKWET WATER AND
SANITATION COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2023**





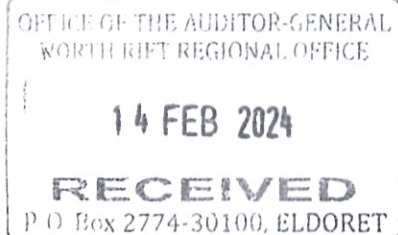
CHERANG'ANY MARAKWET WATER AND SANITATION
COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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



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1. Acronyms and Glossary of Terms

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
WASREB	Water Services Regulatory Board
EMC	Elgeyo Marakwet County
LVNWWDA	Lake Victoria North Water Works Development Agency
NRVWWDA	North Rift Valley Water Works Development Agency
WTF	Water Trust Fund
CPF	County Pension Fund
CIDP	County Integrated Development Plan

2. Key Entity Information

Background information

The Cherangany Marakwet Water and Sanitation Company Limited [CHEMAWASCO] was formed from two community water supplies: The Kapcherop and Kapsowar water supplies which were under the then District water engineers. It was established as an agent of the former water service Board that transited to Lake Victoria North Water Works Development Agency (LVNWWDA). The repealing of the water works Act 2002 to the enactment of the Water Act 2016, the organization of structures and regional offices renders the company an agent of the North Rift Valley Water Works Development Agency (NRVWWDA) under the county department of water and sanitation services. At the county level the company is represented by the County Executive Committee Member responsible for water, sanitation, lands, environment and climate change and the county Executive member Finance and Economic planning, which together with the Board of Directors are responsible for the general policy and strategic direction of the company. The company is domiciled in Elgeyo Marakwet County, Marakwet West Sub County, Kapsowar Location and its offices are in the department of water offices Kapsowar and have branches in Marakwet West Sub-county; Kapcherop and Kapsowar Water Schemes. The Company was established and incorporated in 12th May 2017, incorporation certificate number PVT-AAACVQ1, five years after devolution and as a result of the promulgation of the constitution of Kenya 2010; water and sanitation services being a devolved function as enlisted in schedule four of the Constitution of Kenya 2010, to provide a solution to perennial water shortages that had the public and the growing towns of Kapcherop and Kapsowar. Due to resistance to change from the community, their demanding that services be rendered to them free of charge, was an impediment to the speedy setting of structures, corporate governance issues and operationalization of accounts until 14th June 2022, something made possible by the deployment of County staff on secondment to enable completion of the process. The improvement of service provision to the public indicated by the increase of number of households connected, played a major role in minimizing the resistance to change.

The enactment of the Elgeyo-Marakwet Water Management Act 2021 was a milestone for the Company which had experienced resistance to change in some parts of the community. Formulating a county water policy will assist in enforcement of the water Act and other relevant laws. The constitution of the Board of Directors who were appointed on stakeholder participation process having been the officials of the community water supplies, that formed the company, were among the

Cherang'any Marakwet Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

reasons of the delay of the company in meeting the threshold of operating and reporting as a different entity.

The company is registered with the registrar of companies Kenya and operates under a service provision Agreement held by the North Rift valley Water Works Development Agency (NRVWWDA). It's undergoing the process of being regulated with support of the Agency. The tariffs in use are the ministry of water approved tariffs. The top management human resource capital is a support of the county government of Elgeyo-Marakwet.

Principal Activities

The principal activities of the Company include;

- a. Development of Water supply infrastructure;
- b. Development of Sewerage infrastructure;
- c. Operation and rehabilitation/ maintenance of the water infrastructure;
- d. Sourcing, treatment, distribution of water and provision of sewerage services; and
- e. Financial management (billing, revenue collection and efficient application of financial resources).

In addition, CHEMAWASCO is also expected to participate in the conservation of water resources through consumer education and other initiatives in liaison with Water Services Regulatory Board, the Elgeyo Marakwet County Government, and other water sector institutions and stakeholders.

VISION

To be the Leading water service provider; in the provision of adequate, quality water and sanitation services.

MISSION

To ensure provision of quality affordable water and sanitation services through effective management of resources in order to promote the socio economic growth in the region

CORE VALUES

The core values of CHEMAWASCO are:

- Integrity** : We uphold the highest ethical standards, demonstrating honesty and fairness in all our operations. We are committed to efficient use of resources and being accountable for our actions.
- Team Work** : CHEMAWASCO staff work as a committed team in realizing the Company goals.
- Professionalism** : We take a professional and objective approach in all operations. We uphold competence, high standards, reliability and excellence in our work.

Cherang'any Marakwet Water & Sanitation Company Ltd
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- Safety** : We are committed to safe working environment and protection of the environment as we undertake our operations.
- Innovation** : CHEMAWASCO recognizes that innovation is key in improving service delivery. The Company is therefore committed to fostering creativity and innovation in the entire work force.
- Customer focus** : We recognize that our customers are the reason why we exist. We endeavour to provide high quality services which meet customer needs and honour commitments that we have made to them.

Directors

The Directors who served the entity during the year/period were as follows:

- | | |
|--|---|
| 1. REUBEN KEMBOI TEKEROI- Chairman | - Appointed on 6 th October 2021 |
| 2. EMMY JEROTICH KOSGEI- Chief Executive | - Appointed on 6 th October 2021 |
| 3. JANNIFFER WAYUA SANGUT | -Appointed on 6 th October 2021 |
| 4. VINCENT CHANGWONY CHERUIYOT | - Appointed on 6 th October 2021 |
| 5. CHANG'KWONY M NIXON | - Appointed on 6 th October 2021 |
| 6. JOSPHAT KIBIWOTT TANUI | - Appointed on 6 th October 2021 |
| 7. BERNADETT JEPKOECH YANO | - Appointed on 6 th October 2021 |
| 8. JAMES CHEBOI | - Appointed on 6 th October 2021 |
| 9. GEOFFREY KIPKEMBOY KIMAIYO | - Appointed on 6 th October 2021 |

Registered Office

Marakwet West Sub-county

Water Offices.

Kapsowar

P.O. Box 107-30705

Kapsowar, KENYA.

Corporate Headquarters

Marakwet West Sub-county

Water Office.

Kapsowar

P.O. Box 107-30705

Kapsowar, KENYA.

Corporate Contacts

Telephone: (254) 786420820 / 0797608478

E-mail: chemawasco2017@gmail.com

Corporate Bankers

Kenya Commercial Bank

P.O Box 456-30705

Kapsowar Branch

Equity Bank

P.O Box 30311-00100

Kapsowar Branch

Independent Auditors

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084 GPO 00100

Nairobi, Kenya

Principal Legal Advisers

The Attorney General

State Law Office, Harambee Avenue






P.O. Box 40112

City Square 00200





Nairobi, Kenya

Cherang'any Marakwet Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023




3. The Board of Directors

Ref	Directors	Details
1	 <p>VINCENT CHANGWONY CHERUIYOT</p>	<p>DATE OF BIRTH – 00/00/1972 Chairman of audit/finance committee Academic qualification-KCSE Worked as;</p> <ul style="list-style-type: none"> - Board Member of Kipleketet Primary School - Farmer
2	 <p>REUBEN KEMBOI TEKEROI</p>	<p>DATE OF BIRTH – 00/00/1965 -Board chairman Academic qualification –KCSE Worked as;</p> <ul style="list-style-type: none"> - Current Chairman Board of Directors Cherang'a Marakwet Water & sanitation company ltd - Kenya Police Officer - Elected councillor - Farmer
3	 <p>EMMY JEROTICH KOSGEI</p>	<p>DATE OF BIRTH – 19/09/1979 A member of the audit/finance/ technical/general committee Academic qualification –DEGREE Worked as;</p> <ul style="list-style-type: none"> - A clerical officer Ministry of Interior and coordination of county government of Elgeyo-Marakwet. - Ward Administrator; Kapsowar ward, Elgeyo Marakwet County. - Current acting Managing Director Cherang'any Marakwet Water & sanitation company ltd.
5	 <p>JANNIFFER WAYUA SANGUT</p>	<p>DATE OF BIRTH – 01/07/1965 A member of the audit/finance committee Academic qualification –KJSE Worked as;</p> <ul style="list-style-type: none"> - Business lady
6	 <p>CHANG'KWONY M NIXON</p>	<p>DATE OF BIRTH – 00/00/1980 A member of the audit/finance committee Academic qualification –MASTERS Worked;</p> <ul style="list-style-type: none"> - In the department of finance Baringo County - former Chief Officer Finance and Economic planning Elgeyo Marakwet county.

Cherang'any Marakwet Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

7	 <p>JOSPHAT KIBIWOTT TANUI</p>	<p>DATE OF BIRTH – 00/00/1970</p> <ul style="list-style-type: none"> - Member of technical/general purpose committee <p>Academic qualification –DEGREE</p> <p>Worked;</p> <ul style="list-style-type: none"> - As chief officer department of water, lands, environment and climate change in Elgeyo-Marakwet county - In the office of the governor, trade, sports and IC Elgeyo Marakwet county - As surveyor in the National Government.
8	 <p>BERNADETT JEPKOECH YANO</p>	<p>Date Of Birth; 11/4/1959</p> <ul style="list-style-type: none"> -A member of the audit/finance committee <p>Academic qualification –CERTIFICATE</p> <p>Worked ;</p> <ul style="list-style-type: none"> - As PI teacher - As business lady.
9	 <p>JAMES CHEBOI</p>	<p>Date Of Birth 00/00/1970</p> <p>Chairman of audit finance committee</p> <p>Academic qualification -DIPLOMA</p> <p>Worked ;</p> <ul style="list-style-type: none"> - As a member of technical and audit committee Cherangany Marakwet Water & sanitation company ltd
10	 <p>GEOFFREY KIPKEMBOY KIMAIYO</p>	<p>DATE OF BIRTH-07/01/1980</p> <ul style="list-style-type: none"> - Member of technical/general purpose committee <p>Academic qualification –MASTERS</p> <p>Currently chief officer roads, transport and public works Elgeyo Marakwet county</p>

4. Management Team

Ref	Management	Details
	<p>CPA. David Kimutai Ag. Managing Director</p> 	<ul style="list-style-type: none"> - Holds a Bachelor of Commerce Degree (Finance) and He is a certified public Accountant of Kenya and a member of Institute of certified public accounts of Kenya (ICPAK). - Worked as the commercial manager for the company.
2	<p>CPA Andrew Kiplagat Ag. Commercial Manager</p> 	<ul style="list-style-type: none"> - Holds a Bachelor of Business Management (Accounting option) and He is a certified public Accountant of Kenya and a member of Institute of certified public accounts of Kenya (ICPAK). - Assists the management in putting up structures for both accounting and financial reporting for the company.
3	<p>Alfred NatoWalioli Ag. Technical Manager</p> 	<ul style="list-style-type: none"> -Holds Certificate in Water Engineering. -He worked for the ministry of water in different capacities in keiyo south and Marakwet west sub counties -Currently working as technical manager Cherang'any Marakwet Water and sanitation company

5. Chairman's Statement

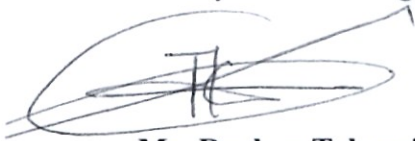
Indeed a hopeful and successful journey has been started in Elgeyo Marakwet county through the establishment of Cherang'any Marakwet Water and sanitation Company limited (CHEMAWASCO) Which is expected to work tirelessly towards providing access to clean, reliable and quality water and sanitation services as a basic need to the residence of marakwet region in a move towards achieving the vision 2030 objectives. The resultant outcome and impact of the services already rendered to our clients gives us a relentless effort to move on.

Having walked a journey from community water supplies started way basic in the late 80's into a company and the inclusivity of the minority Sengwer Community in the top management, gives meaning to article 10 and 232 of the constitution of Kenya 2010. The inclusivity and participatory engagements in the governance of the water and its structures by having Board of Directors who were among the initiators of the community water projects that formed the company, has helped in reducing conflicts and challenges arising from resistance to change .

Despite the company's young existence, and current provision of water services only, the feedback from the clients and request by the community water projects around the jurisdictional territory to be enjoined into the company is a clear indication of customer satisfaction. This will make easy the allocation of funds through the county Equitable Development Act (EDA 2015) for start of the next phase of providing sanitation services.

Sincere thanks goes to our valued customers for their belief in us, the County Government of Elgeyo Marakwet support in human resource and infrastructure, the North Rift valley Water Works Development Agency (NRVWDA) for the immense support in the registration of the company with the registrar of companies and the on-going process of registration with the water services regulator (WASREB), the technical support in making decisions for the mega projects falling under the category of donor funded projects, the energy they are putting through proposals to see the previously designed Kimanich Kapsowar water projects are funded leading to its current stage of scope of works which so the presentation of the inception Report by the consultant and the Company staff for their tireless efforts in service delivery.

Wish you all God's grace and abundant blessings.



Mr. Reuben Tekeroi.

Chairman Cherang'any Marakwet Water and Sanitation Company Limited

6. Report of the Managing Director

The statement “a journey of a thousand miles starts with a single step serves true for Cherangany Marakwet Water and Sanitation Company Limited.

The Company having been formed from two community water supplies of Cherangany water users and Kapsowar water supply has shown tremendous improvement at the base of an expected new company.

The perennial water shortages in the towns of Kapsowar and Kapcherop which was occasioned by regular breakages along the gravity mains causing the business community especially in the abattoirs going to the streets claiming for their rights, soon became a thing of the past. Despite the increasing demand of water due to vast growing towns and population, the rationing program has enabled all the zones be served at specific scheduled times. The constitution of Kenya 2010 as enshrined in schedule four and subsequent enactment of the Water Act 2016, giving the devolved governments to establish water service providers (WSPs) in their counties was a probable solution to avoiding mismanagement of water resources when such projects were managed by everybody and in a manner with no clear cut rules and seeing to it that there is value for money and sustainability of the projects. The further establishment of the Water Works Agencies and having regional offices brought closer to the clients for our case (NRVWWDA) is a great boost to the growth of the company.

Connectivity is expected to rise vastly when a designed 6000metres cubic Kimanich Kapsowar Mega project that cuts across the Marakwet East and West sub counties, which is currently at the inception stages and the successful completion of the proposed mega project and the planned improvement of the existing water infrastructure in both Kapsowar and Kapcherop schemes, including capacity building for the company staff will be a game changer for the company and the water sector in Elgeyo marakwet county.

God bless us all.



CPA David Kimutai
Ag. Managing Director,
Cherangany Marakwet Water and Sanitation Company limited.

7. Statement of Performance against Predetermined Objectives for FY 2022/23

Cherangany Marakwet Water and Sanitation Company limited have *four* strategic pillars/themes/issues and objectives within the current Strategic Plan for the FY 2022- FY 2023. These strategic pillars/ themes/ issues are as follows:

i. Customer service

Customer service is the main area to focus on for any business to grow. The management of the company has deliberately stressed on making sure that the customer is properly served in a timely and efficient manner, this will ensure that he/she gets value for the monies spent in acquiring the service or goods.

ii. Improved access to water

The transition from the two water supplies to the new company came with a lot of challenges and this pillar was specifically developed to focus on the improvement of the water works infrastructure especially in the towns situated within the company's area of service this will in turn enhance the distribution of the water to more clients despite the rationing programs.

iii. Corporate governance

Cherangany Marakwet Water and Sanitation Company Limited started operating fully as a company two years ago and the Board of Directors, management, NRVWDA and the county government of Elgeyo Marakwet have been working on the structures of the company especially the corporate governance part which the stakeholders are currently working as a team to see it through.

iv. Project sustainability

All the stakeholders to this company are developing ways and strategies of ensuring that the new company starts in a good footing and that the projects taken over from the Agency, county government and the former water supply are sustainable and the wananchi get value for monies invested.

Cherangany Marakwet Water and Sanitation Company limited will develop its annual work plans based on the pillars/themes/issues to achieve its objectives and targets set. Assessment of the Board's performance against its annual work plan will be done on a quarterly/annual basis.

8. Corporate Governance Statement

Corporate governance is an integral part in the running of any institution. It is in this regard that the Cherangany Marakwet Water and Sanitation in collaboration with North rift Valley Water Works Development Agency, The County Government of Elgeyo Marakwet and the stakeholders are in the process of recruiting new board of Directors in accordance with the WASREB Regulations. The process commenced a few months ago and the selection panel committee are getting ready for the induction training which will be done in due course. The current Board of Directors were appointed from the committees of the former water supply but according to the requirements for registration by WASREB a stakeholders meeting should be done to select the selection panel that will carry out the process of recruitment of the new Board of Directors in accordance with the law. This process is in its advance stage and as the company managers we are working closely with our stakeholders to ensure that the proper structures of the new company are put in place.

The company will after the constitution of the new board Directors review the existing process of appointment and removal of directors, roles and functions of the Board, existence of a board charter, the number of Board meetings held and the attendance to those meetings by members, succession plan, induction and training, board and member performance, conflict of interest, board remuneration, ethics and conduct as well as governance audit.

9. Management Discussion and Analysis

The cherangany marakwet water and sanitation company limited can attest to the saying that a journey of a thousand miles starts with a step, this can be seen in the performance of the company in the just few years of its full operations, despite the challenges which as management we have taken it as an opportunity to grow and improve in the development of controls and systems for the new company. The improvement in the infrastructure and the distribution networks in both Kapcherop and Kapsowar schemes have seen a tremendous reduction in the complaints from our clients and the revenues collected improved. This as shown that there is a direct correlation between improved customer service/satisfaction and the revenue collected. Some of the improvement measures implemented includes; proper rationing of water to all the zones in the two schemes, collaboration and team work between the revenue team and the operation team, sensitization and public awareness campaigns to reduce resistance since the clients were used to get the service free of charge and introducing them to the need for payment of water bills to enable them receive treated water as per the constitution 2010 and the water act 2016. Some of the on-going entity's compliance with statutory requirements is the registration with WASREB which is in the stage of the Board of Directors selection panel induction and training by the NRVWDA, The major risks facing the organisation is the resistance by the community to be supplied with treated water raising the fears of not being able to use the water for irrigation purposes especially in the remote zones of the company's service area, the company does not have any major material arrears in statutory and other financial obligations especially if it receives the payments of arrears from the existing debtors especially the county government facilities and educational institutions currently served by the company. In regard to the review of the economy, currently most of our clients have not been able to settle their bills due to tough economic times and this can be seen from the arrears increase in the past six months. The sectorial working groups during the review of the CIDP for the county Government of Elgeyo Marakwet had proposed the financial support for the company to enable it have proper structures and for its sustainability, some of the future developments envisaged by the company is the proposed Kimanich Kapsowar water project funded by the national government through the North Rift Valley Water Works development Agency (NRVWDA), which is expected to serve the residents of marakwet West and East sub counties and currently at its inception stages and the consultant for the project is already on the ground preparing the inception report.

10. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

The top management of Cherangany Marakwet Water and Sanitation Company will come up with sustainability strategy taking into consideration the sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities in reference to international best practices and key achievements and failure.

ii) Environmental performance

The company engaged in the school re-greening program championed by HE Governor wisely Rotich to ensure that all the schools within Elgeyo Marakwet plant trees in a portion of their land to cap global warming and in line with the national government program of planting fifteen million trees. The environmental policy guiding the organisation will be developed, this will be assessed from time to time so as to outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products and services.

iii) Employee welfare

The company when fully operational in the next few years, intends to come up with the human resource manual with policies for guiding the hiring process and will take into account the gender ratio, stakeholder engagements and ensure that these policies are improved. It will also come up with systems and strategies in improving skills and managing careers, appraisal and reward systems. The organisation will also have its policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA)

iv) Market place practices-

The organisation will ensure the following practices are adhered to:

a) Responsible competition practice.

The company will ensure that there are responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitor.

b) Responsible Supply chain and supplier relations

Cherangany Marakwet Water and sanitation company will maintain good business practices; treat its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible marketing and advertisement

Outline efforts to maintain ethical marketing practices.

d) Product stewardship

The company will put in efforts to safeguard consumer rights and interests.

v) Corporate Social Responsibility / Community Engagements

The company through the engagement with the community managed to send some representatives to visit the kapchesewes children's home during their happy day celebrations. The Ag Managing director accompanied the team of accountants to Kobil school for the physically challenged to assist the management in the purchase of the wheelchairs and other basic needs for the children. Together with the community of Kapsowar we contributed to the Kapsowar fire incident funds drive to assist the affected get back to work after the destruction of their belongings by the fire during the incident. The company will always work with other stakeholders in carrying out corporate social responsibility activities in the next coming year so as to bring an impact on the society that it operates in such as charitable giving social investments and other forms of community engagements.

11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the company's affairs.

i) Principal activities

The principal activities of the Company are water supply and sanitation services.

ii) Results

The results of the company for the year ended June 30, 2023 are set out on page 1.

iii) Dividends

The company has not declared dividends for the year ended 30, June 2023 due to it owned fully owned by the county government of Elgeyo Marakwet.

iv) Directors

The members of the Board of Directors who served during the year are shown on page VII, IX and X In accordance with Regulation 10 of the company's Articles of Association.

Cherang'any Marakwet Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

v) Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

12. Statement of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 and water act 2016 require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2023. 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 entity; (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 Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, water act 2016 and companies Act 2015)


Statement of Directors' Responsibilities (Continued)

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2023, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company 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 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 company financial statements were approved by the Board on 15th November, 2023 and signed on its behalf by:



.....

Mr Reuben Tekeroi
Chairperson of the Board



.....

CPA David Kimutai
Managing Director

REPUBLIC OF KENYA



Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

HEADQUARTERS
Anniversary Towers
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P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON CHERANG'ANY MARAKWET WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in use of public resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Cherang'any Marakwet Water and Sanitation Company Limited set out on pages 1 to 53, which comprise of the statement of financial position as at 30 June, 2023, and the statement of profit or loss and

Report of the Auditor-General on Cherang'any Marakwet Water and Sanitation Company Limited for the year ended 30 June, 2023

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Cherang'any Marakwet Water and Sanitation Company Limited as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012, the Companies Act, 2015, and the Water Act, 2016

Basis for Qualified Opinion

1. Inaccurate and Unsupported Operating Revenue Amount

The statement of profit or loss and other comprehensive income and Note 1 to the financial statements reflects operating revenue amount totalling Kshs.6,729,560 in respect of water sales which is based on a uniform rate of Kshs.300 per registered homestead as Management has not installed a master and customer meters. The volume of water produced and sold could not be determined. In addition, the statement of comparison of budget and actual amounts reflects corresponding operating revenue totalling Kshs.7,403,284 resulting to unexplained variance of Kshs.673,724.

In the circumstances, the accuracy of operating revenue amount totalling Kshs.6,729,560 could not be confirmed.

2. Unsupported and Irregular Expenditure on Staff Costs

The statement of profit or loss and other comprehensive income and Note 3 to the financial statements reflects expenditure on staff costs totalling Ksh.3,357,580 which include payments to casual workers totalling Kshs.2,510,900. Review of the payroll revealed that wages totalling to Kshs.2,440,760, paid to the casual employees were not supported by the muster roll. In addition, sixteen (16) casual employees who are still in service had been engaged for a period of more than three (3) months contrary to the provisions of Section 37(1)(a)(b) and (3) of the Employment Act, 2007 which provides for conversion of the casual employment to regular employment terms for employees who have worked in an entity continuously for more than three months.

In the circumstances, the accuracy, regularity and completeness of expenditure on staff costs totalling to Kshs.3,357,580 could not be confirmed.

3. Unsupported Property, Plant and Equipment Balance

The statement of financial position and Note 9 to the financial statements reflects property plant and equipment balance of Kshs.137,250. Included in the balance are various assets

including land, motor vehicles, motor bikes and water tanks inherited from Lake Victoria North Water Works Development Agency (LVNWWDA) and County Government of Elgeyo Marakwet of unknown value which have not been incorporated in the financial statements. In addition, review of the assets register revealed that the assets inherited from LVNWWDA and those that were acquired during the year were not recorded in the register contrary to Section 149(2) (o) of Public Finance Management Act, 2012 that requires an accounting officer to maintain an asset register that is current, accurate while the register lacked details on assets.

In the circumstances, the accuracy, valuation and completeness of the property, plant and equipment balance of Kshs.137,250 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Cherang'any Marakwet Water and Sanitation Company Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.6,000,000 and Kshs.7,403,284 respectively resulting to an over realization of Kshs.1,403,284 or 123% of the budget. Similarly, Management spent Kshs.5,774,255 against an approved budget of Kshs.11,444,400 resulting to an under-expenditure of Kshs.5,768,484 or 50% of the budget.

The under-expenditure affected the planned activities and may have impacted negatively on performance of the Company service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under Report on Financial Statements, Report on Lawfulness and Effectiveness in the use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the issues remain unresolved.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of Records for Non-Revenue Water

The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.7,403,284 in respect of is for water sales as disclosed in Note 1 to the financial statements. However, it was noted that the company did not maintain records of the volume of water produced as there was no master meter installed in the intake point. Although the Company charges Kshs.300 per registered home every month for water consumed, the Management did not provide meters to the clients and as such it was not possible to establish acceptable non-revenue water levels.

In the circumstance, lack of records on volume of water produced may lead to high levels of unaccounted for water, which may have a negative impact on the Company's profitability and could affect sustainability of its operations.

2. Failure to Observe Ethnic Balance on Staff Composition

The statement of profit or Loss and other comprehensive income and Note 3 to the financial statements reflects expenditure on staff costs totalling Kshs.3,357,480. Review of payroll records revealed that, as at 30 June, 2023, Cherang'any Marakwet Water and Sanitation Company Limited had a total of sixteen (16) casual employees. However, all of them hailed from the dominant ethnic community contrary to section 65(1)(e) of the County Governments Act, 2012 which states that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.

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

3. Unbalanced Budget

The statement of comparison of budget and actual amounts reflects final revenue and expenses budget totalling Kshs.6,000,000 and Kshs.11,444,400 respectively resulting to a budget deficit of Kshs.5,444,400 contrary to Regulation 31(c) of the Public Finance Management (County Governments) Regulations, 2015 on budget guidelines which provides that at all times during budget formulation and approval, budget revenue and expenditure appropriations shall be balanced.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Internal Audit Function and an Audit Committee of the Board

As previously reported, the Company has not established an internal audit function and an Audit Committee of the Board. This is contrary to Section 155 of the Public Finance Management Act, 2012 which provides for the establishment of the internal audit function and an Audit Committee of the Board. The Company therefore did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.

In the circumstances, the effectiveness of internal controls and governance could not be confirmed.

2. Failure to Establish Human Resource Policy and Procedure Manual

The statement of profit or loss and other comprehensive income and Note 3 to the financial statements reflects expenditure in respect of staff costs totalling to Kshs.3,357,480. The expenditure is in respect of casual wages and airtime allowance of the seconded staff. However, the entity does not have an approved human resource policy and procedure manual.

In the circumstances, Management may not be able to plan for, recruit, remunerate and retain competent staff necessary to deliver on the Company's objectives.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Kenya Companies Act, 2015, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

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

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the Company's financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but

Report of the Auditor-General on Cherang'any Marakwet Water and Sanitation Company Limited for the year ended 30 June, 2023

is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 May, 2024

Cherangany Marakwet Water Company Ltd.

Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2023.

	Note	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
Revenue			
Operating Revenue	1	6,729,560	1,030
Grants Income		0	0
Other Income		0	0
Finance income		0	0
Other gains/(losses)		0	0
Total Revenue		6,729,560	1,030
Expenses			
Staff Costs	3	3,357,580	-
General and Operations expenses	4	1,211,871	1,282
Board Expenses	5	205,100	0
Maintenance Expenses	6	803,835	0
Depreciation and Amortization expenses	7	45,750	0
Finance Costs	8	13,000	0
Total Expenses		5,637,136	1,282
Profit/(Loss) Before Taxation		1,092,424	(252)
Income Tax Expense/(Credit)		-	-
Profit/(Loss) After Taxation		-	-
Earnings Per Share – Basic and Diluted		-	-
Dividend per share		-	-
Other Comprehensive Income			
Profit/ (Loss) After Taxation		-	-
Surplus Or Deficit on Revaluation Of PPE		-	-
Remeasurement Of Net Defined Benefit Liability		-	-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI (Fair Value Through Other Comprehensive Income)		-	-
Total Comprehensive Income for The Year		1,092,424	(252)

Cherangany Marakwet Water Company Ltd.

Annual Report and Financial Statements for the year ended June 30, 2023

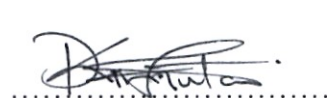
15. Statement of Financial Position as at 30 June 2023

	Note	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
Assets			
Non-current assets			
Property, plant and equipment	9	137,250	-
Intangible assets		-	-
Investment property		-	-
Right- of -use assets		-	-
Biological assets		-	-
Fixed interest investments		-	-
Quoted investments		-	-
Unquoted investments		-	-
Total non-current assets		137,250	0
Current assets			
Inventories		-	-
Trade and receivable	10	1,622,500	100,000
Tax recoverable		-	-
Short-term deposits		-	-
Bank and cash balances	11	314,434	41,750
Total non-current assets		1,936,934	141,750
Total Assets		2,074,184	141,750
Equity and liabilities			
Capital and Reserves			
Ordinary share capital	12	100,000	100,000
Revaluation reserve		-	-
Fair value adjustment reserve		-	-
Retained earnings		1,092,172	(252)
Capital and Reserves		1,192,172	99,748
Non-current liabilities			
Deferred tax liability		-	-
Borrowings		-	-
Lease liability		-	-
Provisions		-	-
Retirement benefits		-	-
Total non-current liabilities		0	0

Cherangany Marakwet Water Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

	Note	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
Current liabilities			
Borrowings	13	120,000	-
Lease liability		-	-
Provisions		-	-
Retirement benefit obligations		-	-
Trade and other payables	14	580,892	
Refundable deposits and Prepayments	15	181,120	42,002
Deferred income		-	-
Dividends payable		-	-
Taxation		-	
Total current liabilities		882,012	42,002
Total equity and liabilities		2,074,184	141,750

The financial statements were approved by the Board on 15th November, 2023 and signed on its behalf by:



CPA David Kimutai

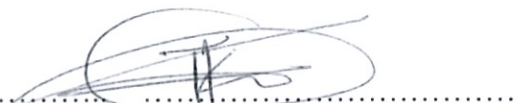
Ag. Managing Director



CPA Andrew Kiplagat

Head of Finance

ICPAK M/No 10788



Mr. Reuben Tekeroi

Chairman of the Board

Cherangany Marakwet Water Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

16. Statement of Changes in Equity for the Year Ended 30 June 2022

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
As at July 1, 2021 (Previous FY)		100,000	-	-	-	-	-	100,000
New capital issued		-						-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	(-)	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(252)	-	-	(252)
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	(-)	-
Dividends paid – prior year		-	-	-	-	(-)	(-)	(-)
Interim dividends paid – current year		-	-	-	-	(-)	-	(-)
Proposed final dividends		-	-	-	(-)	-	-	-
As at June 30, 2022		100,000	-	-	(252)	-	-	99,748

Cherangany Marakwet Water Company Ltd.
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	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
As at July 1, 2022		100,000	-	-	(252)	-	-	99,748
Issue of new share capital		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	(-)	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	1,092,424	-	-	1,092,424
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	(-)	-
Dividends paid – prior year		-	-	-	-	(-)	(-)	(-)
Interim dividends paid – current year		-	-	-	(-)	-	-	(-)
Proposed final dividends		-	-	-	(-)	-	-	-
At June 30, 2023		100,000	-	-	1,092,172	-	-	1,192,172

Cherangany Marakwet Water Company Ltd.

Annual Report and Financial Statements for the year ended June 30, 2023

1. Statement of Cash Flows for the Year Ended 30 June 2023

	Note	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts	1	6,729,560	1,030
Grants Income		-	-
Finance Income		-	-
Other Income		-	-
Customer Deposits	15	181,120	42,002
Total Receipts		6,910,680	43,032
Payments			
Staff Costs	3	3,357,580	-
General And Operation Expenses	4	1,211,871	1,282
Board Expenses	5	205,100	-
Maintenance Expenses	6	803,835	-
Finance Costs	8	13,000	-
Refund Of Customer Deposits		-	-
Total Payments		5,591,386	1,282
(Increase)/decrease in trade and other receivables		(1,522,500)	
Increase/(decrease) in trade and other payables		658,890	
Net Cash From/ (Used In) Operating Activities	16	455,684	41,750
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	9	183,000	(-)
Net Cash From/ (Used In) Investing Activities		183,000	0
Cash Flows from Financing Activities			
Proceeds From Issues of New Share Capital		-	-
Proceeds From Borrowings		-	-
Repayment Of Borrowings		(-)	(-)
Dividends Paid		(-)	(-)
Net Cash From/(Used In) Financing Activities		0	-
Increase/(Decrease) In Cash and Cash Equivalents		272,684	41,750
Cash And Cash Equivalents At Beginning Of Year	11	41,750	0
Effects Of Foreign Exchanges Rate Fluctuations		-	-
Cash And Cash Equivalents At End of the Year	11	314,434	41,750

Cherangany Marakwet Water Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

2. Statement of Comparison of Budget & Actual Amounts for the Period Ended 30 June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	C=a+b	d	e= c-d	f=d/c %
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Operating Revenue	6,000,000	-	6,000,000	7,403,284	1,403,284	123
Non-Operating Revenue	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Finance Income	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total Revenue	6,000,000	-	6,000,000	7,403,284	1,403,284	123
Expenses						
Staff Costs	3,224,400	-	3,224,400	3,357,580	-133,180	10
Board Expenses	504,000	-	504,000	205,100	298,900	41
General and operations Expenses	1,785,000	-	1,785,000	1,211,740	573,260	68
Maintenance	2,835,200	-	2,835,200	803,835	2,031,365	28
Finance costs	100,000	-	100,000	13,000	87,000	13
Total Recurrent Expenditure	8,448,600	-	8,448,600	5,591,255	2,979,167	66
Profit or Loss	(2,448,600)	-	(2,448,600)	1,812,029	(1,575,883)	74
Capital Expenditure	2,995,800	-	2,995,800	183,000	2,812,800	6
Total Expenditure	11,444,400		11,444,400	5,774,255	5,791,967	50

19. Notes to the Financial Statements

1. General Information

Cherangany Marakwet Water and Sanitation Company Ltd is established by and derives its authority and accountability from water Act 2016. The Company is wholly owned by the Elgeyo Marakwet County Government and is domiciled in Kenya. The Company's principal activity is water service provision. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company. The figures are rounded to the nearest Kenyan shilling.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company's Act and Elgeyo Marakwet water management Act 2021, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the financial statements (continued)

3. Application of New and Revised International Financial Reporting Standards (IFRS)

i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2023.

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	<p>The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.</p> <p><i>The Company does not issue insurance contracts. / The company is an insurance company. The adoption of IFRS 17 has had the following effects:</i> <i>Xxx</i> <i>Xxx</i> <i>(Amend as appropriate)</i></p>	Effective for annual periods beginning on or after 1 st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	<p>The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.</p> <p><i>(entity to state the effect of amendments on their financial statements for the year ended.)</i></p>	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	<p>The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.</p> <p><i>(Entity to state whether this has brought about changes to the accounting policies disclosed)</i></p>	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled	<p>The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed</p>	The amendments are effective for annual

Cherangany Marakwet Water Company Ltd.

Annual Report and Financial Statements for the year ended June 30, 2023

Title	Description	Effective Date
Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	periods beginning on or after January 1, 2023.

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

Notes to the Financial Statements (Continued)

Application of New and Revised International Financial Reporting Standards (IFRS)

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

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

iii. Early adoption of standards

Cherangany marakwet water and Sanitation Company limited did not early – adopt any new or amended standards in year under review.

4. Summary of Accounting Policies

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

a) Revenue recognition

Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

- i) Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognized as it accrues.

Notes to the financial statements (continued)

Summary of Accounting Policies

b) In-kind contributions

In-kind contributions are donations that are made to the Company in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment, utilities or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the 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 but disclosed.

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Notes to the financial statements (continued)

Summary of Accounting Policies

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line/reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Item	Years	Rates
Freehold Land	Nil	0%
Buildings and civil works	40	2.5%
Infrastructure works	40	2.5%
Plant and machinery	8	12.5%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	33.3%
Office equipment, furniture and fittings	8	12.5%

A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment and accounted for in line with the provisions in the standard.

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Notes to the financial statements (continued)

Summary of Accounting Policies

f) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method/ FIFO. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

g) Trade and other receivables

Trade and other receivables are recognized at amortized cost 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 and when the necessary approval to write off is granted.

Notes to the financial statements (continued)

Summary of Accounting Policies

h) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the profit or loss statement. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

i) Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Notes to the financial statements (continued)

Summary of Accounting Policies

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Notes to the financial statements (continued)

Summary of Accounting Policies

k) 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. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period.

l) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

m) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortized 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 entity or not, less any payments made to the suppliers.

Notes to the financial statements (continued)

Summary of Accounting Policies

n) Retirement benefit obligations

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at an average Kshs. 750 per employee per month.

o) Provision for staff leave pay

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

p) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Notes to the financial statements (continued)

Summary of Accounting Policies

q) Budget information

The original budget for FY 2022-2023 was approved by the Board of Directors on 7th October 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section 18 of these financial statements.

Notes to the financial statements (continued)

Summary of Accounting Policies

r) Service concession arrangements

The Company analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Company recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Company also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

s) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

t) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Notes to the financial statements (continued)

Summary of Accounting Policies

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value for disposal:

- The condition of the asset based on the assessment of experts employed by the Company.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the assets.

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Cherangany Marakwet Water Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the financial statements (continued)

1. Operating Revenue

	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Water sales	6,729,560	1,030
Sewerage Services	0	0
Billing for other services*	0	0
Total	6,729,560	1,030

2. Grants Income

	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Operational grants from Government entities	-	-
Recurrent/operational grants from other agencies	-	-
Capital grants amortised	-	-
Donations from County Governments	-	-
In Kind contribution/donations from other agencies	-	-
Total	-	-

Cherangany Marakwet Water Company Ltd.
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Notes to the financial statements (continued)

3. Staff Costs

Description	FY2022/2023	FY 2021/2022
	Kshs	Kshs
Gross Salary and Allowances	2,510,900	-
Casual workers' Wages	162,700	-
Medical insurance schemes	-	-
Employer's contributions to social security schemes	85,480	-
Employer's contributions to pension scheme	-	-
Provisions for Leave pay	66,500	-
Gratuity provisions	-	-
Fringe Benefit tax	-	-
Staff welfare	53,500	-
Other allowances	478,500	-
Total	3,357,580	-
The average number of employees during the year		

[The company employees are on casual engagement and casual wages includes interns and attaches' airtime allowances. Included in the other allowances are staff lunches and weekend allowances]

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4. General and Operations Expenses

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Chemicals	-	-
Electricity	67,802	-
Fuel, oil, lubricants, and gases	167,600	-
Bulk water Costs	-	-
Office supplies/stationeries/hospitality/General office expenses	325,365	-
Uniform and protective clothing	-	-
Telecommunication	-	-
Postage and courier	9,450	-
Water and sewerage	-	-
Insurance	21,000	-
Rent and Rates	-	-
Hire of Equipment and vehicles	-	-
Claims and compensation	3,400	-
Domestic Traveling and subsistence	232,350	-
Foreign travel and accommodation	-	-
Staff training and development	10,000	-
Bank Charges	48,524	1,282
Security services	-	-
Agency commissions	-	-
Publicity and advertising	-	-
Audit fees	-	-
Legal fees	-	-
Consultancy fees	-	-
Licensing and levies	-	-
Sports and recreation	20,000	-
Stakeholders' expenses	77,580	-
Donations/CSR	10,000	-
Hospitality expenses	-	-
Research and Development	-	-
Conservation expenses	10,000	-
Provision for doubtful debts	-	-
Others (Specify)	208,800	-
Total	1,211,871	1,282

Some of the expenses were merged in the related votes for example the office supplies include hospitality, office administration and stationery etc

Cherangany Marakwet Water Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the financial statements (continued)

5. Board Expenses

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Chairman Honoraria	48,000	-
Sitting allowances	98,000	-
Medical Insurance	-	-
Induction and Training	-	-
Travel and accommodation	25,000	-
Other allowances	34,100	-
Total Board Expenses	205,100	0

6. Maintenance Expenses

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Plant and Equipment	15,580	-
Buildings	9,100	-
Infrastructural networks	571,605	-
Grounds	112,850	-
Motor vehicles	88,700	-
Software	-	-
ICT (Information Communication Technology)	6,000	-
Furniture	-	-
Water Meter maintenance costs	-	-
Maintenance of access roads	-	-
Total Maintenance Expenses	803,835	0

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7. Depreciation and Amortization Expenses

Description	<i>FY2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
Property, plant, and equipment	45,750	-
Right of Use Assets	-	-
Intangible assets	-	-
Investment property carried at cost	-	-
Total Depreciation and Amortization	45,750	0

8. Finance costs

Description	<i>FY2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
Interest expense on loans	13,000	-
Interest expense on bank overdrafts	-	-
Interest on lease liabilities	-	-
Others (specify)	-	-
Total	13,000	0

[The interest expense was for a facility used to purchase a motor cycle for Kapcherop scheme]

Notes to the financial statements (continued)

9. Property, Plant and Equipment

2022	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
Cost Or Valuation									
At July 1, 2021	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	(-)	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At June 30, 2022	-	-	-	-	-	-	-	-	-
Depreciation									
At July 1, 2021	-	-	-	-	-	-	-	-	-
Charge For the Year	-	-	-	-	-	-	-	-	-
Impairment Loss	-	-	-	-	-	-	-	-	-
Disposal	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At June 30, 2022	-	-	-	-	-	-	-	-	-
Net Book Value At June 30, 2022	-	-	-	-	-	-	-	-	-

Notes to the financial statements (continued)

Property, Plant and Equipment (Continued)

2023	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
Cost or valuation									
As at 1 July 2022	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	183,000	-	-	-	183,000
Transfers	-	-	-	-	-	-	-	(-)	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
As at 30th June 2023	-	-	-	-	183,000	-	-	-	183,000
Depreciation									
At July 1, 2022	-	-	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	45,750	-	-	-	45,750
Impairment loss	-	-	-	-	-	-	-	-	-
disposal	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
As at 30th June 2023	-	-	-	-	45,750	-	-	-	45,750
Net book value									
At June 30, 2023	-	-	-	-	137,250	-	-	-	137,250

Notes to the financial statements (continued)

Valuation

Land and buildings, property, plant and equipment for the company have not been valued and most of them have not been transferred to the company.

9 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	-	-	-
Buildings			-
Plant and machinery			-
Motor vehicles, including motorcycles	183,000	45,750	137,250
Computers and related equipment	-	-	-
Office equipment, furniture, and fittings	-	-	-
	183,000	45,750	137,250

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	-	-
Motor vehicles, including motorcycles	-	-
Computers and related equipment	-	-
Office equipment, furniture and fittings	-	-
Total	-	-

10. Trade and Other Receivables

	<i>FY2022/2023</i>	<i>FY 2021/2022</i>
	KShs	KShs
Trade receivables (note (29a))	1,522,500	-
Deposits and prepayments	-	-
VAT (Value Added Tax) recoverable	-	-
Staff receivables (note 29 (c))	-	-
Other receivables	100,000	100,000
Gross trade and other receivables	1,622,500	100,000
Provision for bad and doubtful receivable	(-)	(-)
Net trade and other receivables	1,622,500	100,000

10. (a) Trade Receivables

	<i>FY2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
Gross trade receivables	1,522,500	-
Provision for doubtful receivables	(-)	(-)
Net trade receivables	1,522,500	-
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	-	-
Between 30 and 60 days	-	-
Between 61 and 90 days	-	-
Between 91 and 120 days	-	-
Over 120 days	-	-
Total	-	-

10. (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	<i>FY2022/2023</i>	<i>FY 2021/2022</i>
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	(-)	(-)
Written off during the year	(-)	(-)
At the end of the year	-	-

10. (c) Staff Receivables

	<i>FY2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
Gross staff loans and advances	-	-
Provision for impairment loss	(-)	(-)
Net staff loans	-	-
Less: Amounts due within one year	(-)	(-)
Amounts due after one year	-	-

10. (d) Reconciliation of Impairment Allowance for Staff Receivables

Description	<i>FY2022/2023</i>	<i>FY 2021/2022</i>
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	(-)	(-)
Written off during the year	(-)	(-)
At the end of the year	-	-

11. Bank and Cash Balances

	<i>FY2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
Cash at bank	314,434	1,030
Cash in hand	-	-
Mobile money account	-	-
	314,434	1,030

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Notes to the financial statements (continued)

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	FY2022/2023	FY 2021/2022
		KShs	KShs
a) Current account			
Commercial banks	KCB 1296867277	11,009	1,030
Others	KCB 1296867269	122,305	0
Sub- total		133,314	1,030
b) On – call deposits			
Commercial banks	EQUITY 1570280576834	181,120	40,720
Others		-	-
Sub- total		181,120	40,720
c) Fixed deposits account			
Other Commercial banks		-	-
Others		-	-
Sub- total		-	-
Sub- total		-	-
d) Others(specify)			
Cash in transit		-	-
Cash in hand		-	-
Mobile money account		-	-
Sub- total		-	-
Grand total		314,434	41,750

12. Ordinary Share Capital

	<i>FY2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
Authorized:		
5,000 ordinary shares of Kshs. 20 par value each	100,000	100,000
Issued and fully paid:		
0 ordinary shares of Kshs. par value each	-	-

[The county government of Elgeyo marakwet have not paid for the ordinary share capital presented above]

Notes to the financial statements (continued)

13. Borrowings

Description	FY2022/2023	FY 2021/2022
	KShs	KShs
a) External Borrowings		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	(-)	(-)
Balance at end of the year	0	0
b) Domestic Borrowings		
Balance at beginning of the year	-	-
Domestic borrowings during the year	183,000	-
Repayments during the year	(63,000)	(-)
Balance at end of the year	120,000	0
C) Total Balance at end of the period c = a+b	120,000	0

Notes to the financial statements (continued)

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at an average of Kshs. 842 per employee per month. Other than NSSF the entity does not have a defined contribution scheme but the employees voluntarily contribute Kshs 500 per month operated by County Pension Fund. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

14. Trade and Other Payables

	FY2022/2023	FY 2021/2022
	Kshs	Kshs
Trade payables	-	-
Accrued expenses	254,212	-
Employee payables	311,680	-
Other payables	15,000	-
Total	580,892	0

Aging Analysis for Trade and other Payables

	FY 2022/2023	% of the total	FY 2021/2022	% of the total
Under one year	-	-	-	-
1-2 years	580,892	100%	-	100%
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	580,892	100%	-	100%

15. Refundable Deposits and Prepayments

	FY2022/2023	FY 2021/2022
	<i>Kshs</i>	<i>Kshs</i>
Customer deposits	181,120	42,002
Prepayments by customers	-	-
Retention/Contract deposits	-	-
Others (Specify)	-	-
Total	181,120	42,002

Aging Analysis for Refundable Deposits and Prepayments

	FY2022/2023	% of the total	FY 2021/2022	% of the total
Under one year	-	-	-	-
1-2 years	181,120	100 %	42,002	100 %
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	181,120	100 %	42,002	100%

16. Notes to The Statement of Cash Flows

	<i>FY2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	1,092,424	-
Depreciation	45,750	-
Amortization	-	-
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	1,138,174	-
Working capital changes:		
(Increase)/decrease in inventories	-	-
(Increase)/decrease in trade and other receivables	(1,522,500)	-
Increase/(decrease) in trade and other payables	840,010	-
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	-	-
		-
Cash generated from/ (used in) operation	455,684	
(b) Analysis of changes in loans		
Balance at beginning of the year	-	-
Receipts during the year	150,000	-
Repayments during the year	(50,000)	(-)
Repayments of previous year's accrued interest	(0)	(-)
Foreign exchange (gains)/losses	-	(-)
Accrued interest	20,000	-

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	<i>FY2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
Balance at end of the year	120,000	0
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	314,434	41,750
Cash in hand	(-)	(-)
Balance at end of the year	<u>314,434</u>	<u>41,750</u>
(d) Analysis of interest paid		
Interest on loans	33,000	-
Interest on bank overdraft	-	-
Interest on lease liabilities	-	-
Interest on loans capitalised	-	-
Balance at beginning of the year	-	-
Balance at end of the year (note 35(b))	(120,000)	(-)
Interest paid	13,000	-
(e) Analysis of dividend paid		
Balance at beginning of the year	-	-
20xx dividends paid	-	-
20xx dividends paid	-	-
20xx interim dividends paid	-	-
Balance at end of the year	(-)	(-)
Dividend paid	-	-

Notes to the financial statements (continued)

Other Disclosures

17. Related Party Disclosures

The County Government of Elgeyo Marakwet is the principal shareholder of the Company, holding 100% of the Company's equity interest.

The County Government of Elgeyo Marakwet has provided full guarantees to all lenders of the Company

Other related parties include:

- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Others (specify)

Transactions with related parties

	FY2022/2023	FY 2021/2022
	Kshs	Kshs
a) Sales to related parties		
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	-	-
Interest income from Govt Commercial Banks	-	-
Interest income from T-bills and Bonds	-	-
Others (Specify)	-	-
Total	0	0
b) Purchases from related parties		
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Bank charges paid to Govt Commercial banks	48,524	1,282
Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
Total	48,524	1,282
b) Grants from the Government		
Grants from National Govt Agencies	-	-
Grants from County Government	-	-
Donations in kind	-	-
Total	-	-

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	FY2022/2023	FY 2021/2022
	Kshs	Kshs
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for Kapsowar water supply	60,000	-
Total	60,000	-
d) Key management compensation		
Directors' emoluments	-	-
Compensation to key management	-	-
Total	-	-

18. Capital Commitments

Capital commitments at the year- end for which no provision has been made in these financial statements are:

	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Amounts authorised and contracted for	-	-
Amounts authorized but not contracted for	-	-
Less: Amounts included in Work in progress	(-)	(-)
	-	-

19. Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The company's financial risk management objectives and policies are detailed below:

(i) Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2023				
Trade Receivables	1,522,500	1,522,500	1,522,500	-
Other Receivables	100,000	100,000	100,000	-
Investments	-	-	-	-
Bank balances	314,434	314,434	314,434	-
Total	1,936,934	1,936,934	1,936,934	-
At 30 June 2022 (previous Year)				
Receivables	-	-	-	-
Other Receivables	100,000	100,000	100,000	-
Investments	-	-	-	-
Bank balances	41,750	41,750	41,750	-
Total	141,750	141,750	141,750	-

Credit Risk (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The company has significant concentration of credit risk on amounts due from customers in the remote zones within its service area.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Company's directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade payables	-	254,212	-	254,212
Current portion of borrowings	-	120,000	-	120,000
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	311,680	-	311,680

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Total	-	685,892	-	685,892
At 30 June 2022				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

(iii) Market risk (*Tailor as appropriate*)

The new board will put in place an internal audit function to assist it in assessing the risk faced by the Company on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's will create a Department in charge of risk management to be responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The Company has no transactional currency exposures currently these exposures arise through purchases of goods and services that are done in currencies other than the local currency.

b) Interest rate risk

Interest rate risk is the risk that the Company's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises from interest rate movements on the company's deposits.

i) Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates

ii) Capital Risk Management

The objective of the Company's capital risk management is to safeguard the Board's ability to continue as a going concern. The Company's capital structure comprises of the following funds:

	<i>FY2022/2023</i>	<i>FY 2021/2022</i>
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	1,092,424	(252)
Capital reserve	-	-
Total funds		
Total borrowings	120,000	-
Less: cash and bank balances	(314,434)	(41,750)
Net debt/ (excess cash and cash equivalents)	897,990	41,496
Gearing	8%	0%

20. Incorporation

The Company is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.

21. Events After the Reporting Period

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

22. Appendices

Appendix 1: progress on follow up of auditor recommendations.

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unsupported property, plant and Equipment	The Company took over assets including land, buildings, furniture, motor vehicles, motor bikes, water pumps, tanks, office equipment from the County government of Elgeyo Marakwet and North Rift Valley Water Works Development Agency. However, they were not formally handed over to the Company and do not have their respective values attached. In addition, the Company do not have in its possession title deeds, logbooks and other ownership documents for parcels of land, motor vehicles and other property it took over when it was formed. This matter was discussed during our recent Board of directors meeting and the company is engaging the county government and the North Rift Valley Water Works Development Agency (NRVWDA) to assist in the transfer and valuation of these assets.	Not Resolved	1-2 years
2	Unsupported operating	The water company inherited the water supplies with no meters and it is now working on acquiring master meter for production areas, metering	Not Resolved	1 year

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	revenue	<p>institutions, hotels, rental premises, carwash businesses and other clients who use high volumes of water in order to reduce non-revenue water. This is however being done in phases due to financial constraints.</p> <p>The company has also requested our development partners like county government of Elgeyo Marakwet, North Rift valley works development agency and other stakeholder to partner in purchasing bulky meter due to the high cost of acquisition.</p>		
3	Non-compliance with the law on ethnic composition	<p>The board members who served during the period under review were among the managers and stakeholders of the two water supplies who formed the company. When the two were merged into a company, each scheme was given an opportunity to nominate three persons as interim directors so as to represent their interests in the company. In fact the Cherang'any water users' area/zone is</p>	In progress	1 year

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		dominated by the Sengwer minority group and are well represented in the Board.		
4	Lack of approved budget	It is true that the approved budget of the Company for the year under review was not provided for audit review. This is due to the fact that the company started fully operating as a company towards the end of the financial year that is June 2022 majorly because of the transition challenges, resistance and the governance issues at the registrar of companies.	Resolved	
5	Lack of internal audit function	We concur with your finding that during the year under review, the Company did not conduct an internal audit evaluation to oversee the governance mechanism and promote transparency and accountability in the management of resources. However the management is planning on ways of creating an internal audit section and have requested the county government to assist in seconding	Not resolved	1 year

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		an auditor for the time being due to the limited resources.		
6	Failure by board of directors to conduct self-assessment	During the period on review the Cherangany Marakwet Water and Sanitation Company Limited had not constituted an Audit and Risk Management sub-committee of the Board of Directors but the recommendations you made will be taken into consideration in the next financial periods	Not resolved	1 year

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- (iii) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report.

CPA David Kimutai



Ag. Managing Director

Date: ... 14/2/2024