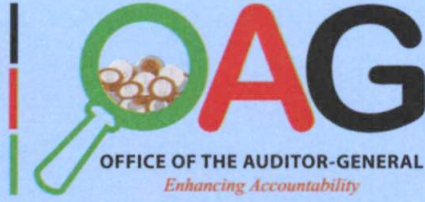


REPUBLIC OF KENYA



PARLIAMENT
OF KENYA
LIBRARY

10

REPORT

OF

THE AUDITOR-GENERAL

| PAPERS LAID | |
|----------------------|------------------|
| ON | DATE 17/2/20 |
| TABLED BY | Se. (Dr.) Ilegua |
| COMMITTEE | |
| DEBATED AT THE TABLE | |

CHERANG'ANY MARAKWET WATER
AND SANITATION COMPANY LIMITED

FOR THE YEAR ENDED
30 JUNE, 2025

9



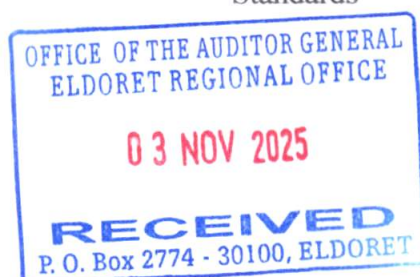
CHERANG'ANY MARAKWET WATER AND SANITATION
COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

Prepared in accordance with the International Financial Reporting Standards (IFRS) Accounting
Standards



| Table Of Contents | Page |
|---|-------------|
| 1. Acronyms and Glossary of Terms | ii |
| 2. Key Entity Information | iii |
| 3. The Board of Directors | ix |
| 4. Key Management Team | xii |
| 5. Chairman's Statement | xiii |
| 1. Report of the Managing Director | xiv |
| 2. Statement of Performance against Predetermined Objectives for FY 2024/25 | xvi |
| 3. Corporate Governance Statement | xvii |
| 4. Management Discussion and Analysis | xviii |
| 5. Environmental And Sustainability Reporting | xix |
| 6. Report Of the Directors | xxi |
| 7. Statement Of Directors' Responsibilities | xxii |
| 8. Report of the Independent Auditor on the Financial Statements of Cherang'any Marakwet Water & Sanitation Company Ltd | xxiv |
| 9. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2025. | 1 |
| 10. Statement Of Financial Position As at 30 June 2025 | 2 |
| 11. Statement Of Changes in Equity for the Year Ended 30 June 2025 | 4 |
| 12. Statement Of Cash Flows for The Year Ended 30 June 2025 | 8 |
| 13. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2025.... | 9 |
| 14. Notes To the Financial Statements | 10 |
| 15. Appendices | 42 |

(Leave page blank)

1. Acronyms and Glossary of Terms

A. Acronyms

| | |
|----------------|---|
| CEO | Chief Executive Officer |
| DG | Director General |
| IAS | International Accounting Standards |
| IASB | International Accounting Standards Board |
| IFRS | International Financial Reporting Standards |
| ICS | Institute of Certified Secretaries |
| MD | Managing Director |
| NT | National Treasury |
| PFMA | Public Finance Management Act |
| 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 |
| BOD | Board of Directors |

B. Definition of Key Terms

Fiduciary Management - Members of Management directly entrusted with the entity's financial resources.

Comparative Year- Means the prior period.

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

Cherang'any Marakwet Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

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.

- 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.

Cherang'any Marakwet Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

Directors

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

- | | | | |
|----|--------------------|-------------------|--|
| 1. | Dr Victoria Kuto | - Chairman | - Appointed on 6 th February 2025 |
| 2. | CPA Kimutai David | - Chief Executive | - Seconded on 6 th February 2023 |
| 3. | CPA Yator Barnabas | - Member | - Appointed on 6 th February 2025 |
| 4. | Mr Thomas Biwott | - Member | - Appointed on 6 th February 2025 |
| 5. | Mrs Veronica Suter | - Member | - Appointed on 6 th February 2025 |
| 6. | Mr Amos Maiyo | - Member | - Appointed on 6 th February 2025 |
| 7. | Mr Edwin Rono | - Member | - Appointed on 6 th February 2025 |

Registered Office

Marakwet West Sub-county
Water Office
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



3. The Board of Directors

| Directors | NAME | Details |
|---|--|---|
|  | <p>Dr Victoria Chepkemoi Kutto</p> | <ul style="list-style-type: none"> - Dr Victoria is 54 years old, independent director representing the Gender and local community - She is the Chairperson of the Board. - Educationist by profession - PhD in communication Studies - M.Phil. in Curriculum instruction and Education Media - Bachelor of Education-English |
|  | <p>Mr Edwin Kiplagat Ronoh</p> | <ul style="list-style-type: none"> - Mr Edwin is 33 years old, independent director representing the minority groups - Technical, Finance and general purpose committee of the Board - Diploma in environmental management. An environmentalist by profession |
|  | <p>Mr Felix Rotich</p> | <ul style="list-style-type: none"> - Mr Felix is 33 years old, Executive director representing the Department of water - Water Engineering and a member of (ERB) - Trained in senior Management and strategic leadership Development |

**Cherang'any Marakwet Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025**

| | | |
|---|--|--|
|  | <p>Mrs Veronica Jemutai Suter</p> | <ul style="list-style-type: none"> - Mrs Veronica is 65 years old, independent director representing the Business community - Technical, Finance and general purpose committee of the Board - Bachelor of Education - . A teacher by profession |
|  | <p>CPA Barnabas Kipkorir Yator</p> | <ul style="list-style-type: none"> - CPA Yator is 65 years old, independent director representing all the Professionals - He is the Chairperson of the Audit committee of the Board - Bachelor of Commerce - CPA(K) - . An Accountant by profession - Member ICPA(K) |
|  | <p>Mr Amos Maiyo</p> | <ul style="list-style-type: none"> - Mr Amos is 35 years old, independent director representing Resident Organizations - Diploma in social Work and community development. - Project management and strategic planning - He is a member of the Audit committee of the Board |

**Cherang'any Marakwet Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025**

| | | |
|--|-------------------------------------|--|
|  | <p>Mr Thomas Kimaiyo Biwott</p> | <ul style="list-style-type: none"> - Mr Biwott is 44 years old, independent director representing community Based organizations - He is the Chairperson of the Technical Finance and General purpose committee of the Board - Diploma in county governance and leadership - Community liaisons officer KVDA |
|  | <p>CPA David Kimutai</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). - Currently the Acting Managing Director and the secretary to the Board - Worked as the commercial manager for the company. - Worked as an Accountant 1 in the Department of Finance and Economic Planning (accounts and Reporting Section) - Worked in the revenue Section in the 2016-2017 |

4. Key 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), 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. - Worked as an Accountant 1 in the Department of Finance and Economic Planning (accounts and Reporting Section) - Worked in the revenue Section in the 2016-2017 |
| 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, kitale, mount Elgon, kiambu -Currently working as Technical manager Cherang'any Marakwet Water and sanitation company |

5. Chairman's Statement

This financial year is when a hopeful and successful journey was started in Elgeyo Marakwet county through the inauguration of the new BOD of Cherang'any Marakwet Water and sanitation Company limited (CHEMAWASCO) Which is expected to work tirelessly towards providing leadership and guidance to the company and management to ensure that access to clean, reliable and quality water and sanitation services are provided 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, women and the youth in the BOD, 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 continuous engagements with all stakeholders and especially the community members who were among the initiators of 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 other community water projects around our service area to be enjoined into the company is a clear indication of customer satisfaction. This will make easy the allocation of funds through, the ministry of water, Water Works Development Agencies, other Development Agencies and the county Equitable Development Act (EDA 2015) for start of the next phase of providing sanitation services.

Sincere thanks goes to our valued customers, the County Government of Elgeyo Marakwet support in human resource and infrastructure, the North Rift valley Water Works Development Agency (NRVWDA) for the immense and continued support in the capacity building of the company especially the selection and induction of the BOD (corporate Governance training) 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 is a true testament.

Wish you all God's grace and abundant blessings.



Dr Victoria Kuto

Chairman Cherang'any Marakwet Water and Sanitation Company Limited

1. 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 (CHEMAWASCO)

Since the inception of the 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. Indeed, it's a great honour and pleasure for me to present this comprehensive report on our company's performance for the financial year ending June 2025. This year marked significant progress in our operational and financial performance, despite the usual challenges faced by every new WSP.

Financial Performance

The Company performed well financially despite the challenges and managed to meet some of the administrative and operation costs which are some of the biggest challenges currently faced by the company. The flat rate of billing remains the main hindrance to improved revenues. The company through the assistance of the North Rift Valley Water Works development agency (NRVWDA) is in the process of procurement of both master and consumer meters. This will go a long way in reduction of non-revenue water and increased revenues for the company.

Operations and Maintenance

Our operations this year improved due to the new strategies introduced by the management and the tireless efforts of the staff especially the operations and maintenance team who brave the harsh weather conditions to walk by foot into kipkukur forest (both lower and upper intakes) to ensure the constant flow of water to the treatment works. The proposed improvement works in Kapsowar and Kapcherop schemes will be a boost to the company majorly the replacement of the 1983 4 inch GI Gravity main to cheles treatment works and the construction of the new and bigger treatment plant at kapchesewes. This will improve operations efficiency and reducing Non-Revenue Water (NRW)

Challenges

We continue to face significant challenges in revenue collection, billing and billing system, resistance

to change, illegal connections, use of treated water for irrigation, aged water infrastructure network and non-revenue water.

Mitigation Strategies

The company currently uses cashless (mpesa paybil) mode of payment for water sales and the use of daily collection sheets/Revenue collection Summary. There is a team of line patrollers to check on leakages, customers using water for irrigation and illegal connections. Non-Revenue Water remains a critical concern at 46%, above our target benchmark of 25%. To address this challenge the management did a proposal for infrastructure upgrades, and pilot programs for smart metering and HDPE pipe installation. The contractor for the upgrade is already on the ground and works have commenced.

The proposed Kimanich, Chesoi, Kapsowar water project that cuts across the Marakwet East and West sub counties, when completed 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.

Appreciation

My sincere gratitude on behalf of CHEMAWASCO management and staff goes to HE Governor and the county HOD's ,our BOD through the Chairperson, NRVWWDA, LVNWWDA, Shareholders, Customers, Regulators and all the other stakeholders for their continued support. The achievements outlined in this report would not have been possible without your cooperation and commitment. We remain focused on improving service delivery, enhancing operational efficiency, and ensuring the long-term financial sustainability of our company. We are confident that with the continued support of all stakeholders, Cherangany Marakwet Water and Sanitation Company Limited will overcome current challenges and one day becomes the market leader.

God bless us all.



CPA David Kimutai
Ag Managing Director

2.Statement of Performance against Predetermined Objectives for FY 2024/25

Cherangany Marakwet Water and Sanitation Company limited have *four* strategic pillars/themes/issues and objectives within the current Strategic Plan for the FY 2024- FY 2025. 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.

3. 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 recruited new board of Directors in accordance with the WASREB Regulations. The new Board of Directors attended corporate governance training at the school of government in Mombasa and this enhanced their knowledge on matters governance. They are currently together with the company managers working closely with other stakeholders to ensure that the proper structures of the new company are put in place.

The company Directors are currently reviewing 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.

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 on-going. 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 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 are the capacity building and on-going improvement of water infrastructure networks within Kapsowar scheme and 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.

5. 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 chepsigot school for the visually impaired to assist the management in the purchase of the basic needs for the children. Together with the community and the agency contributed in other pro poor activities. 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.

6. Report Of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025 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, 2025 are set out on page 1.

iii) Dividends

The company has not declared dividends for the year ended 30, June 2025 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.

By Order of the Board



CPA David Kimutai
Secretary to the Board

Date: 29/8/2025

7. 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, 2025. 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, 2024, 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 August, 2025 and signed on its behalf by:



.....
Dr Victoria Kuto
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
Monrovia Street
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, 2025

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 45, which comprise of

Report of the Auditor-General on Cherang'any Marakwet Water and Sanitation Company Limited for the year ended 30 June, 2025

the statement of financial position as at 30 June, 2025 and the statement of Profit or Loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Cherang'any Marakwet Water and Sanitation Company Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply the Public Finance Management Act, 2012, the Companies Act, 2015 and the Water Act, 2016

Basis for Qualified Opinion

1. Lack of Accounting System

The statement of profit and loss and other comprehensive income reflects operating revenue amount of Kshs.8,611,400 which represents revenue generated from water sales as disclosed in Note 1 to the financial statements. However, review of the Accounting System in place revealed that the Company maintained books of account in excel work sheet. The excel ledgers provided for audit comprised of monthly totals including previous month's revenues without specifying opening balances and individual transactions details of each customer including the billing rates applied which would provide a basis for verifying and validating the actual amounts reported in the financial statements. Excel worksheets are also subject to manipulation without any audit trail.

Further, Management did not provide rate of tariffs, fees and other charges applied in billing. In addition, Management did not provide meters to the clients and therefore it was not possible to establish actual volumes of water produced and sold in the absence of information on water tariffs and clear billing rate charged per customer each month.

In the circumstance, accuracy and completeness of the operating revenue amount of Kshs.8,611,400 could not be confirmed.

2. Lack of Ownership Documents of Property, Plant, and Equipment

The statement of financial position reflects property, plant, and equipment balance of Kshs.45,750 as disclosed in Note 9 to the financial statements. However, review of assets records revealed that the Company owned five parcels of land in various locations within Kapsowar Town and its environs whose ownership documents including; title deeds, land parcel numbers, and acquisition details were not provided for audit. In addition, four (4) motorcycles and two (2) motor vehicles operated by the Company were not registered in

the Company's name and the values of these assets were not disclosed in the financial statements.

In the circumstances, the accuracy completeness and ownership of the property, plant, and equipment Kshs.45,750 could not be confirmed.

3. Unsupported Share Capital

The statement of financial position reflects Nil ordinary share capital which differs with Note 12 to the financial statements which reflects Kshs.100,000. In addition, share certificates, CR12, Articles and Memorandum of Association were not provided for audit review to support the balance. Further. Note 12 did not give all the necessary details on Company's ordinary share capital which includes; the number of ordinary shares the company is authorized to issue, the number of shares issued, the number of shares outstanding, their par value and movements during as required by IFRS and the companies Act.

In the circumstances, the accuracy of the ordinary share capital Nil balance 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 the 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 receipts of Kshs.14,000,000 and actual receipts of Kshs.12,146,999, resulting to an under-funding of Kshs.1,853,001 or approximately 13% of the budget. Similarly, the Company incurred total expenditure of Kshs.12,445,277 against actual receipts of Kshs.12,146,999, resulting to over-expenditure of Kshs.298,278 or 2.5%of the actual receipts.

The under-funding of the approved budget may have hindered the implementation of planned programs and affected service delivery to the residents of Kapsowar Town and surrounding areas.

My report is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion section; I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, no report or recommendations from the Management and oversight bodies was submitted for audit verification. Therefore, the issues remain unresolved contrary to Section 68(2)(l) of the Public Finance Management Act, 2012 which require Accounting Officers designated for National Government entities to try to resolve any issues resulting from an audit that remain outstanding **(See Appendix 1)**

Other Information

The Directors are responsible for the Other Information set out on page iii to xxii which comprise of Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company's financial statements, my responsibility is to read the Other Information and in doing so, consider whether The Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on

Lawfulness and Effectiveness in the 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. Failure to Observe Ethnic Balance on Staff Composition

The statement of profit or loss and other comprehensive income reflects staff costs amount of Kshs.8,193,591 as disclosed in Note 3 to the financial statements. Analysis of payroll records provided for audit indicated that the Company had a total of twenty-two (22) casual employees in the year under review. However, all of them hailed from the dominant ethnic community contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which state that, "all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community".

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

2. Prolonged Acting Appointments

The statement of profit or loss and other comprehensive income reflects staff costs amount of Kshs.8,193,591 as disclosed in Note 3 to the financial statements. However, review of payroll and payment schedules, and the Key Management Team section in the financial statements revealed that two (2) senior County Government officials have been in acting position beyond the stipulated six (6) months period. In addition, the staffs were seconded by the County Government and salaries are paid by the county executive.

Further, the County Public Service Board and the Board of Management of the water Company did not provide any evidence to show efforts to recruit substantive holders of the above position despite the prolonged acting appointments. This was contrary to Section 34(5)(b) of the Public Service Commission Act, 2017 (Revised 2023) which states that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six (6) months.

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

3. Non- Revenue Water

The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.8,611,400 in respect of water sales as disclosed in Note 1 to the financial statements. As previously reported, 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 varying rates to different classes of customers, the exact classification of customers and corresponding rates charged for water consumed was not

disclosed. Further, Management did not provide meters to the clients and as such it was not possible to establish actual volume of water produced and sold and determine acceptable non-revenue water levels.

In the circumstances, it was not possible to confirm how the billing is done and this may lead to great losses which may negatively affect the operations of the Company.

4. Lack of a License from Water Services Regulatory Board (WASREB)

During the year under review, the Company was operating without a valid license from WASREB, contrary to Section 72(c) of the Water Act, 2016, which gives WASREB the mandate of setting license conditions and accrediting water service providers.

In the circumstances, the Company's operations were not in compliance with the law.

5. Breach of Data Protection Laws in Management of the Company

Review of the data handling and processing activities of revealed that the company collects personal and sensitive data of their customers including address, number of homes and premises plot numbers and telephone numbers. However, the following breaches of the data protection laws were observed;

- i. Management had not registered with the Data Commissioner as a data controller or data processor respectively despite having unlimited access to public personal data hence breaching data confidentiality principle of the data protection act.
- ii. The Company had not established personal data retention schedule as required by Data Protection Regulations.
- iii. The Company had not established appropriate time limits for the periodic review of the need for the continued storage of personal data for any of the law enforcement purposes.
- iv. Management had not developed and published a policy reflecting the entity's personal data handling practices.
- v. Management had not implemented the elements necessary to safeguard the principle of storage limitation including having in place means of managing policies and procedures for information security, assessing the risks against the security of personal data and putting in place measures to counter identified risks and regularly reviewing and testing the Revenue Management System to uncover vulnerabilities.
- vi. Management had not implemented the elements necessary to safeguard the principle of storage limitation including having in place a clear internal procedure for deletion and destruction of personal data of subjects, determining what data

and length of storage of personal data that is necessary for the purpose and formulating internal retention statements of implementing them.

- vii. Management had not conducted data protection impact assessment prior to processing of the data

This was contrary to Section 18(2) of Data Protection Act, 2019 which states that no person shall act as a data controller or data processor unless registered with the Data Commissioner. Further, the company was in contravention of Regulation 19(2)(a) of the Data Protection (General) Regulations, 2021 which requires a data controller or data processor to establish personal data retention schedule with appropriate time limits for the periodic review of the need for the continued storage of personal data that is no longer necessary or where the retention period is reached.

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

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 effects of the matter 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 governance were not effective.

Basis for Conclusion

1. Failure to Develop Policies

During the year under review, Management did not have in place approved and operational Risk Management Policy, a Strategic Plan, Employee Code of Conduct and Ethics, Standard Operating Procedures Manual, Human Resources Policy and Procedures Manual, Water Rating/Billing Policy, Procurement Policy, Finance Policy, Business Continuity Plan, Water Quality Policy and Whistle Blowing Policy. This was contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the Accounting Officer shall ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations. In addition, there was no evidence of risk identification, risk assessment and evaluation of likelihood of risk occurrence and its impact on entities' operation.

In the circumstances, operations of the Company may be hindered.

2. Failure to Carry out Internal Audit

The Company operation were not subjected to internal audit reviews during the financial year 2024/2025 contrary to the Regulation 153(a), (b) and (c) of the Public Finance Management (County Governments) Regulations 2015 which requires the internal auditor to review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in County Government entities, including County Assembly; (b) give reasonable assurance through the Audit Committee on the state of risk management, control and governance within the organization; and (c) review the effectiveness of the financial and non-financial performance management systems of the entities.

in the circumstances, internal controls were not evaluated.

3. Failure to have in Place a Service Charter for the Company

Verification of the Company's records revealed that Management did not develop and display a Service Charter. As a result, the public and stakeholders lack a formal document outlining the services offered, service delivery timelines, and feedback or grievance-handling procedures. This was contrary to Section 8(2) of the Public Service (Values and Principles) Act, 2015 which requires the public service, a public institution or, where permitted, an authorized officer shall develop guidelines for the provision to the public of timely and promotion of transparency and accountability.

In the circumstances, timeliness of service delivery could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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

Conclusion

As required by the Companies Act, 2015, I report, based on my audit, that except for the matters described in the Basis for Qualified Opinion, I confirm 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. Information given in the Directors' report on page xxi is consistent with the financial statements; and

Responsibilities of the Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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 controls, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit


My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48

of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

1 December, 2025

Appendix 1: Prior Year Audit Matters

| No. | Financial Year | Audit Matter |
|-----|----------------|--|
| | | Report on Financial Statements |
| 1 | 2023-2024 | Variances between Financial Statements and Supporting Schedules |
| 2. | 2023-2024 | Property, Plant and Equipment |
| 3 | 2023-2024 | Grants from the County Government not recognized in the Financial Statements |
| | | Report on Lawfulness and Effectiveness in the Use of Public Resources |
| 4 | 2023-2024 | Failure to observe Ethic Balance on Staff Composition |
| 5 | 2023-2024 | Non-Revenue Water |
| 6 | 2023-2024 | Failure to Establish Human Resource Policy and Procedure Manual |

Cherang'any Marakwet Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

9. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2025.

| | Note | 2024/2025 | 2023/2024 |
|--|------|-------------------|------------------|
| | | Kshs | Kshs |
| Revenue | | | |
| Operating Revenue | 1 | 8,611,400 | 7,703,500 |
| Grants Income | 2 | 3,535,599 | 0 |
| Other Income | | 0 | 0 |
| Finance income | | 0 | 0 |
| Total Revenue | | 12,146,999 | 7,703,500 |
| Expenses | | | |
| Staff Costs | 3 | 8,193,591 | 4,010,028 |
| General and Operations expenses | 4 | 2,222,955 | 1,576,265 |
| Board Expenses | 5 | 386,800 | 122,800 |
| Maintenance Expenses | 6 | 1,596,181 | 1,324,360 |
| Depreciation and Amortization expenses | 7 | 45,750 | 45,750 |
| Finance Costs | 8 | 0 | 20,000 |
| Total Expenses | | 12,445,277 | 7,099,203 |
| Profit/(Loss) Before Taxation | | (298,278) | 607,297 |

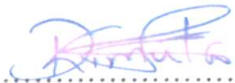
Cherang'any Marakwet Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

10. Statement Of Financial Position As at 30 June 2025


| | Note | 2024/2025 | 2023/2024 |
|--------------------------------------|------|------------------|------------------|
| | | Kshs | Kshs |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 45,750 | 91,500 |
| Total non-current assets | | 45,750 | 91,500 |
| Current assets | | | |
| Inventories | | 0 | - |
| Trade and receivable | 10 | 3,143,168 | 2,150,915 |
| Prepayments | | 0 | 0 |
| Bank and cash balances | 11 | 330,984 | 447,481 |
| Total non-current assets | | 3,474,152 | 2,598,396 |
| Total Assets | | 3,519,902 | 2,689,896 |
| Equity and liabilities | | | |
| Capital and Reserves | | | |
| Ordinary share capital | | - | 100,000 |
| Fair value adjustment reserve | | 0 | - |
| Retained earnings | 17 | 2,260,376 | 1,699,469 |
| Capital and Reserves | | 2,260,376 | 1,799,469 |
| Non-current liabilities | | | |
| Provisions | | 0 | - |
| Total non-current liabilities | | 0 | 0 |
| Current liabilities | | | |
| Trade and other payables | 13 | 904,480 | 638,306 |
| Refundable deposits and Prepayments | 14 | 355,046 | 252,121 |
| Deferred income | | 0 | - |
| Dividends payable | | 0 | - |
| Taxation | | 0 | - |
| Total current Liabilities | | 1,259,526 | 890,427 |
| Total Equity and Liabilities | | 3,519,902 | 2,689,896 |

Cherang'any Marakwet Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

The financial statements were approved by the Board on 25th August, 2025 and signed on its behalf by:



.....
CPA David Kimutai
Managing Director



.....
CPA Andrew Kiplagat
Head of Finance
ICPAK M/No 10788



.....
Dr. Victoria Kuto
Chairman of the Board

11. Statement Of Changes in Equity for the Year Ended 30 June 2025

| | Notes | Ordinary share capital | Revaluation reserve | Fair value adjustment reserve | Retained earnings | Proposed dividends | Capital/Development Fund | Total |
|--|-------|------------------------|---------------------|-------------------------------|-------------------|--------------------|--------------------------|-----------|
| As at July 1, 2023 (Previous FY) | | - | 0 | 0 | 1,092,172 | 0 | 0 | 1,092,172 |
| 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 | | - | - | - | 607,297 | - | - | 607,297 |
| 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, 2024 (Previous FY) | | - | - | - | 1,699,469 | - | - | 1,699,469 |
| | | | | | | | | |
| As at July 1, 2024 | | - | - | - | 1,699,469 | | | 1,699,469 |

| | Notes | Ordinary share capital | Revaluation reserve | Fair value adjustment reserve | Retained earnings | Proposed dividends | Capital/Development Fund | Total |
|--|-------|------------------------|---------------------|-------------------------------|-------------------|--------------------|--------------------------|------------------|
| Issue of new share capital | | - | - | - | - | - | - | - |
| Revaluation gain | | - | - | - | - | - | - | - |
| Transfer of excess depreciation on revaluation | | - | (-) | - | - | - | - | - |
| Deferred tax on excess depreciation | | - | - | - | - | - | - | - |
| Prior year adjustment | | - | - | - | 859,185 | - | - | 859,185 |
| Profit for the year | | - | - | - | (298,278) | - | - | (298,278) |
| 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, 2025 | | - | - | - | 2,260,376 | - | - | 2,260,376 |

Cherang'any Marakwet Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

The Journal Entries for prior year adjustments are as follows;

1. To correct the understated revenue and trade receivables

The adjustment increases last year's profit and the asset trade receivables

| Account | Debit (Kshs) | Credit (Kshs) |
|---|--------------|---------------|
| Trade Receivables | 1,621,000 | |
| Retained Earnings (Opening Balance) | 757,230 | |
| To correct revenue understatement (2,378,230 - 1,621,000) | | |
| Prior period adjustment to record revenue that was earned but not recorded in FY 2023/2024. | | |

The full revenue variance is 2,378,230. The receivables variance is 1,621,000. The difference (757,230) is revenue that was likely received in cash but not recorded, so it goes directly to Retained Earnings.

2. To correct the understatement of staff and general costs.

This adjustment decreases last year's profit and creates a liability for amounts owed

| Account | Debit (Kshs) | Credit (Kshs) |
|---|--------------|---------------|
| Retained Earnings (Opening Balance) | 418,570 | |
| Accrued Expenses (Liability) | | 418,570 |
| Prior period adjustment to accrue for staff and general expenses incurred in FY 2023/2024 but not recorded. (365,136 + 53,434). | | |

3. To correct the overstatement of maintenance costs

This adjustment increases last year's profit and creates an asset for prepaid amounts

| Account | Debit (Kshs) | Credit (Kshs) |
|---|-----------------|------------------|
| Prepaid Maintenance (Asset) | 520,525 | |
| Retained Earnings (Opening Balance) | | 520,525 |
| Prior period adjustment to recognize prepaid maintenance that was incorrectly fully expensed in FY 2023/2024. | | |

To calculate the total change to the opening retained earnings for the 2024/2025 year:

$$757,230 - 418,570 + 520,525 = 859,185$$

Net Change to Retained Earnings:

Therefore, the opening Retained Earnings balance on April 1st July, 2024, must be INCREASED by Kshs 859,185.

This net figure reconciles with the overall profit adjustment

$$\text{Profit Understatement} = 2,480,185$$

Less: Amounts that went to Assets/Liabilities directly (Receivables + Prepaid Asset - Accrued Liability):

$$+1,621,000 + 520,525 - 418,570 = +1,722,955$$

$$\text{Net change to Retained Earnings: } 2,480,185 - 1,722,955 = +859,185$$

Cherang'any Marakwet Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

12. Statement Of Cash Flows for The Year Ended 30 June 2025

| | Note | 2024/2025 | 2023/2024 |
|---|------|--------------------|------------------|
| | | Kshs | Kshs |
| Cash Flows from Operating Activities | | | |
| Receipts | | | |
| Operating Receipts | | 8,611,400 | 7,703,500 |
| Grants Income | | 3,535,599 | - |
| Finance Income | | 0 | - |
| Prior year adjustments | | 859,185 | - |
| Customer Deposits | | 0 | 252,121 |
| Total Receipts | | 13,006,184 | 7,955,621 |
| Payments | | | |
| Staff Costs | | 8,193,591 | 4,010,028 |
| General And Operation Expenses | | 2,222,955 | 1,573,265 |
| Board Expenses | | 386,800 | 122,800 |
| Maintenance Expenses | | 1,596,181 | 1,324,360 |
| Finance Costs | | 0 | 20,000 |
| Refund Of Customer Deposits | | 0 | 0 |
| Total Payments | | 12,399,527 | 7,050,453 |
| (Increase)/ decrease in trade and other receivable | | (1,092,253) | |
| Increase/decrease in trade and other payable | | 369,099 | |
| Net Cash From/ (Used In) Operating Activities | 48 | (116,497) | 132,731 |
| Cash Flows from Investing Activities | | | |
| Purchase Of Property, Plant And Equipment (PPE) | | (-) | |
| Proceeds From Disposal Of PPE | | - | |
| Net Cash From/ (Used In) Investing Activities | | - | - |
| Cash Flows from Financing Activities | | | (-) |
| Proceeds From Issues of New Share Capital | | - | (-) |
| Proceeds From Borrowings | | - | 0 |
| Repayment Of Borrowings | | (-) | 0 |
| Dividends Paid | | (-) | |
| Net Cash From/(Used In) Financing Activities | | - | 0 |
| Increase/(Decrease) In Cash and Cash Equivalents | | (116,497) | 132,731 |
| Cash And Cash Equivalents At Beginning of Year | | 447,481 | 314,750 |
| Effects Of Foreign Exchanges Rate Fluctuations | | - | - |
| Cash And Cash Equivalents At End of the Year | | 330,984 | 447,481 |

13. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2025

| Description | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % of utilization |
|---|-------------------|-------------|-------------------|----------------------------|------------------------|------------------|
| | Kshs | Kshs | Kshs | Kshs | Kshs | |
| | a | b | C=a+b | d | e= c-d | f=d/c % |
| | Kshs | Kshs | Kshs | Kshs | Kshs | |
| Budget carryovers from the previous year* | - | - | - | - | - | - |
| Receipts | | | | | | |
| Operating Revenue | 10,000,000 | - | 10,000,000 | 8,611,400 | 1,388,600 | 86% |
| Non-Operating Revenue | 0 | - | 0 | 0 | 0 | 0% |
| Grants | 4,000,000 | - | 4,000,000 | 3,535,599 | 464,401 | 88% |
| Finance Income | 0 | - | 0 | 0 | 0 | 0% |
| Other gains | 0 | - | 0 | 0 | 0 | 0% |
| Total Receipts | 14,000,000 | - | 14,000,000 | 12,146,999 | 1,853,001 | 87% |
| Payments | | | | | | |
| Staff Costs | 8,800,000 | - | 8,800,000 | 8,193,591 | 142,008 | 93% |
| Board Expenses | 400,000 | - | 400,000 | 386,800 | 13,200 | 97% |
| General and operations Expenses | 2,800,000 | - | 2,800,000 | 2,222,955 | 277,045 | 89% |
| Maintenance | 2,000,000 | - | 2,000,000 | 1,596,181 | 403,819 | 80% |
| Depreciation | 0 | - | 0 | 45,750 | 0 | 0% |
| Total Recurrent Expenditure | 14,000,000 | - | 14,000,000 | 12,445,277 | 836,072 | 89% |
| Total Payments | 14,000,000 | - | 14,000,000 | 12,445,277 | 836,072 | 89% |
| Capital Expenditure Payments | - | - | - | - | - | - |
| Surplus | 0 | - | 0 | (298,278) | 0 | - |

14. 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. There are no areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements.

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 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 2025.*

| 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 the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7 | The amendments specify: <ul style="list-style-type: none"> i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date. ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs. | 1 January 2026 |

(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

Cherang'any Marakwet Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

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....)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.

| Title | Description | Effective Date |
|---|---|--|
| IFRS 18 Presentation and Disclosure in Financial statements | The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. | The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted. |
| IFRS 19 Subsidiaries without Public Accountability | IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19 | An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. 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 (CHEMWASCO) did not – adopt any new or amended standards in year under review.

Notes to the financial statements (continued)

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.

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 on-going 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) 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 (*Whichever is applicable*). Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

f) 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. A report on losses and write offs is disclosed on page xxx of this report.

g) 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.

h) 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.

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.

i) 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.

j) 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.

Restricted cash

Restricted cash refers to cash and cash equivalent balances that have usage constraints. An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the entity.

k) 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.

l) 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.

m) 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 of Kshs. 800 per employee per month.

n) 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.

o) 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.

p) Budget information

The original budget for FY 2024-2025 was approved by the Board of Directors on 15 June, 2024. 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.

q) 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.

r) Comparative figures

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

s) 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, 20xx.

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.

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.

Notes to the financial statements (continues)

1. Operating Revenue

| | 2024/2025 | 2023/2024 |
|----------------------------|------------------|------------------|
| | Kshs | Kshs |
| Water sales | 8,611,400 | 9,928,730 |
| Sewerage Services | - | 0 |
| Billing for other services | - | 0 |
| Total | 8,611,400 | 9,928,730 |

2. Grants Income

| | 2024/2025 | 2023/2024 |
|--|------------------|------------------|
| | Kshs | Kshs |
| Operational grants from Government entities | 3,535,599 | - |
| Recurrent/operational grants from other agencies | - | - |
| Capital grants amortised | - | - |
| Donations from County Governments | - | - |
| In Kind contribution/donations from other agencies | - | - |
| Total | 3,535,599 | - |

| Name of the Entity sending the grant | Amount recognized in the Statement of Comprehensive Income KShs | Amount deferred under deferred income KShs | Amount recognised in capital fund. KShs | Total grant income during the year KShs | 2024/2025 KShs |
|---|--|---|--|--|-----------------------|
| County (EMC) SECONDED STAFF | 3,535,599 | - | - | - | 3,535,599 |
| | | - | - | - | |
| Total | 3,535,599 | - | - | - | 3,535,599 |

Notes to the financial statements (continued)

3. Staff Costs

| Description | 2024/2025 | 2023/2024 |
|--|------------------|------------------|
| | Kshs | Kshs |
| Gross Salary and Allowances | 3,682,800 | 3,098,500 |
| Casual workers' Wages | 74,000 | 351,500 |
| Seconded Staff | 398,000 | - |
| Seconded staff Salaries | 3,535,599 | - |
| Employer's contributions to social security schemes | 245,292 | 224,933 |
| Employer's contributions to pension scheme | 0 | - |
| Provisions for Leave pay | 0 | - |
| Gratuity provisions | 0 | - |
| Fringe Benefit tax | 0 | - |
| Staff welfare | 53,300 | 91,000 |
| Other allowances | 204,600 | 244,095 |
| Total | 8,193,591 | 4,010,028 |
| The average number of employees during the year | 26 | 26 |

4. General and Operations Expenses

| | 2024/2025 | 2023/2024 |
|------------------------------------|------------------|------------------|
| Description | Kshs | Kshs |
| Chemicals | 491,666 | 310,938 |
| Electricity | 130,067 | 91,306 |
| Fuel, oil, lubricants, and gases | 553,655 | 319,700 |
| Bulk water Costs | - | - |
| Office supplies | 535,349 | 481,555 |
| Uniform and protective clothing | - | - |
| Telecommunication | - | - |
| Postage and courier | - | - |
| Water and sewerage | - | - |
| Insurance | - | - |
| Rent and Rates | - | - |
| Hire of Equipment and vehicles | - | - |
| Claims and compensation | - | - |
| Domestic Traveling and subsistence | 243,100 | 264,765 |
| Foreign travel and accommodation | - | - |
| Staff training and development | 21,200 | 10,000 |
| Bank Charges | 43,448 | 51,001 |
| Security services | - | - |
| Agency commissions | - | - |
| Publicity and advertising | 16,000 | - |
| Audit fees | - | - |
| Legal fees | - | - |
| Consultancy fees | - | - |
| Licensing and levies | - | - |
| Sports and recreation | 34,000 | - |
| Stakeholders' expenses | 30,000 | 44,000 |
| Donations/CSR | - | - |
| Hospitality expenses | 64,470 | - |
| Research and Development | - | - |
| Conservation expenses | - | - |
| Provision for doubtful debts | - | - |
| Others (Specify) | 60,000 | - |
| Total | 2,222,955 | 1,573,265 |

Notes to the financial statements (continued)

5. Board Expenses

| Description | 2024/2025 | 2023/2024 |
|-----------------------------|------------------|------------------|
| | KShs | KShs |
| Chairman Honoraria | 4,000 | 48,000 |
| Sitting allowances | 192,000 | 51,000 |
| Medical Insurance | - | - |
| Induction and Training | - | - |
| Travel and accommodation | 133,800 | 17,000 |
| Other allowances | 57,000 | 6,800 |
| Total Board Expenses | 386,800 | 122,800 |

6. Maintenance Expenses

| Description | 2024/2025 | 2023/2024 |
|--|------------------|------------------|
| | Kshs | Kshs |
| Plant and Equipment | - | - |
| Buildings | - | - |
| Infrastructural networks | 1,308,090 | 1,104,155 |
| Grounds | 76,766 | 37,905 |
| Motor vehicles | 207,425 | 152,400 |
| Software | - | - |
| ICT (Information Communication Technology) | 3,900 | 7,500 |
| Furniture | - | - |
| Water Meter maintenance costs | - | - |
| Maintenance of access roads | - | - |
| Total Maintenance Expenses | 1,596,181 | 1,324,360 |

7. Depreciation and Amortization Expenses

| Description | 2024/2025 | 2023/2024 |
|--|------------------|------------------|
| | KShs | KShs |
| Property, plant, and equipment | 45,750 | 45,750 |
| Right of Use Assets | - | - |
| Intangible assets | - | - |
| Investment property carried at cost | - | - |
| Total Depreciation and Amortization | 45,750 | 45,750 |

8. Finance costs

| Description | 2024/2025 | 2023/2024 |
|-------------------------------------|------------------|------------------|
| | Kshs | Kshs |
| Interest expense on loans | - | 20,000 |
| Interest expense on bank overdrafts | - | - |
| Interest on lease liabilities | - | - |
| Others (specify) | - | - |
| Total | - | 20,000 |

9. Property, Plant and Equipment

| Description | Freehold land | Buildings & civil works | Water & Sewer Infrastructure | Plant and machinery | Motor vehicles, including, motorcycles | Computers & related equipment | Office equipment, furniture & fittings | Capital work in progress | Total |
|--|---------------|-------------------------|------------------------------|---------------------|--|-------------------------------|--|--------------------------|-------------|
| Depreciation rate | | 40% | 40% | 8% | 4% | 4% | | 2% | |
| | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs |
| At June 30, 2023 | - | - | - | - | 137,250 | - | - | - | 137,250 |
| Depreciation | | | | | | | | | |
| At July 1, 2024 | - | - | - | - | - | - | - | - | - |
| Charge For the Year | - | - | - | - | 45,750 | - | - | - | 45,750 |
| Impairment Loss | - | - | - | - | - | - | - | - | - |
| Disposal | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) | (-) |
| At June 30, 2024 | - | - | - | - | 45,750 | - | - | - | 45,750 |
| Net Book Value At June 30, 2024 | - | - | - | - | 91,500 | - | - | - | 91,500 |
| Transfer/Adjustments | - | - | - | - | - | - | - | - | - |
| Revaluation Adjustments | - | - | - | - | - | - | - | - | - |
| As at 30th June 2024 | - | - | - | - | 91,500 | - | - | - | 91,500 |
| Depreciation And Impairment | | | | | | | | | |
| At 1July 2024 | - | - | - | - | 91,500 | - | - | - | 91,500 |
| Depreciation | - | - | - | - | 45,750 | - | - | - | 45,750 |
| Impairment | - | - | - | - | - | - | - | - | - |
| Transfers/ Adjustments | - | - | - | - | - | - | - | - | - |
| As At 30th June 2025 | - | - | - | - | 137,250 | - | - | - | 137,250 |
| Depreciation | - | - | - | - | 45,750 | - | - | - | 45,750 |

Cherang'any Marakwet Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

| Description | Freehold land | Buildings & civil works | Water & Sewer Infrastructure | Plant and machinery | Motor vehicles, including, motorcycles | Computers & related equipment | Office equipment, furniture & fittings | Capital work in progress | Total |
|--|---------------|-------------------------|------------------------------|---------------------|--|-------------------------------|--|--------------------------|---------------|
| Disposals | | - | - | - | - | - | - | - | - |
| Impairment | | - | - | - | - | - | - | - | - |
| Transfer/Adjustment | | - | - | - | - | - | - | - | - |
| As at 30th June 2025 | - | - | - | - | 45,750 | - | - | - | 45,750 |
| As at 30th June 2024 | - | - | - | - | 91,500 | - | - | - | 91,500 |
| As at 30th June 2025 | - | - | - | - | 45,750 | - | - | - | 45,750 |

10. Trade and Other Receivables

| | 2024/2025 | 2023/2024 |
|--|------------------|------------------|
| | KShs | KShs |
| Trade receivables (note (29a)) | 3,143,168 | 2,050,915 |
| Deposits and prepayments | - | - |
| VAT (Value Added Tax) recoverable | - | - |
| Staff receivables (note 29 (c)) | - | - |
| Other receivables | 100,000 | 100,000 |
| Gross trade and other receivables | 3,243,168 | 2,150,915 |
| Provision for bad and doubtful receivable | (-) | (-) |
| Net trade and other receivables | 3,243,168 | 2,150,915 |
| Analysed as: | | |
| Short- Term Trade and Other Receivables | 3,243,168 | 2,150,915 |
| Long- Term Trade and Other Receivables | - | - |

10. (a) Trade Receivables

| | 2024/2025 | 2023/2024 |
|--|------------------|------------------|
| | Kshs | Kshs |
| Gross trade receivables | 3,143,168 | 2,050,915 |
| Provision for doubtful receivables | (-) | (-) |
| Net trade receivables | 3,143,168 | 2,050,915 |
| 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 | 3,143,168 | 2,050,915 |
| Total | 3,143,168 | 2,050,915 |

11. Bank and Cash Balances

| | 2024/2025 | 2023/2024 |
|----------------------|------------------|------------------|
| | Kshs | Kshs |
| Cash at bank | 330,983 | 447,481 |
| Cash in hand | - | - |
| Mobile money account | - | - |
| | 330,983 | 447,481 |

Detailed analysis of the cash and cash equivalents

| Financial institution | Account number | 2024/2025 KShs | 2023/2024 KShs |
|----------------------------------|-----------------------|---------------------------|---------------------------|
| a) Current account | | | |
| Commercial banks | | 14,502 | 123,191 |
| Others | | 64,435 | 72,169 |
| Sub- total | | 78,937 | 195,360 |
| b) On – call deposits | | | |
| Commercial banks | | 252,046 | 252,121 |
| Others | | | |
| Sub- total | | 252,046 | 252,121 |
| 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 | | 330,983 | 447,481 |

Notes to the financial statements (continued)

12. Ordinary Share Capital

| | 2024/2025 | 2023/2024 |
|--|-----------|-----------|
| | 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]

13. Trade and Other Payables

| | 2024/2025 | 2023/2024 |
|-------------------|----------------|----------------|
| | Kshs | Kshs |
| Trade payables | - | - |
| Accrued expenses | 515,000 | 151,780 |
| Employee payables | 351,600 | 375,386 |
| Other payables | 37,880 | 111,140 |
| Total | 904,480 | 638,306 |

Aging Analysis for Trade and other Payables

| | 2025 | % of the total | 2024 | % of the total |
|----------------|----------------|----------------|----------------|----------------|
| Under one year | 904,480 | 100% | 638,306 | 100% |
| 1-2 years | - | 0% | - | 0% |
| 2-3 years | - | 0% | - | 0% |
| Over 3 years | - | 0% | - | 100% |
| Total | 904,480 | | 638,306 | |

Notes to the financial statements (continued)

15. Notes to The Statement of Cash Flows

| | 2025 | 2024 |
|---|------------------|----------------|
| | Kshs | Kshs |
| (a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations | | |
| profit or loss before tax | (53,278) | 607,297 |
| | 859,185 | |
| Depreciation | 45,750 | 45,750 |
| Amortization | - | - |
| ((Gain)/loss on disposal of property, plant and equipment | - | - |
| Operating profit/(loss) before working capital changes | 851,657 | 653,047 |
| Working capital changes: | | |
| (Increase)/decrease in inventories | - | - |
| (Increase)/decrease in trade and other receivables | (1,337,253) | (528,514) |
| Increase/(decrease) in trade and other payables | 369,099 | 8,415 |
| Increase/(decrease) in retirement benefit obligations | - | - |
| Increase/(decrease) in provision for staff leave pay | - | - |
| Cash generated from/ (used in) operation | (116,497) | 133,047 |
| (b) Analysis of changes in loans | | |
| Balance at beginning of the year | - | 120,000 |
| Receipts during the year | - | - |
| Repayments during the year | (-) | (100,000) |
| Repayments of previous year's accrued interest | (-) | (20,000) |

14. Refundable Deposits and Prepayments

| | 2024/2025 | 2023/2024 |
|-----------------------------|----------------|----------------|
| | Kshs | Kshs |
| Customer deposits | 355,046 | 252,121 |
| Prepayments by customers | - | - |
| Retention/Contract deposits | - | - |
| Others (Specify) | - | - |
| Total | 355,046 | 252,121 |

Aging Analysis for Refundable Deposits and Prepayments

| | 2025 | 2024 | % of the total | % of the total |
|----------------|----------------|----------------|----------------|----------------|
| Under one year | | 0 | % | % |
| 1-2 years | 102,925 | 181,120 | 29% | 72% |
| 2-3 years | 181,120 | 71,001 | 51% | 28% |
| Over 3 years | 71,001 | 0 | 20% | % |
| Total | 355,046 | 252,121 | | |

Cherang'any Marakwet Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

| | 2025 | 2024 |
|--|---------|---------|
| | Kshs | Kshs |
| Foreign exchange (gains)/losses | - | - |
| Accrued interest | - | - |
| | | |
| Balance at end of the year | - | - |
| | | |
| (c) Analysis of cash and cash equivalents | | |
| | | |
| Short term deposits | - | - |
| Cash at bank | 330,984 | 447,481 |
| Cash in hand | (-) | (-) |
| | | |
| Balance at end of the year | 330,984 | 447,481 |
| (d) Analysis of interest paid | | |
| Interest on loans | - | 20,000 |
| Interest on bank overdraft | - | - |
| Interest on lease liabilities | - | - |
| Interest on loans capitalised | - | - |
| Balance at beginning of the year | - | 20,000 |
| Balance at end of the year (note 35(b)) | (-) | (-) |
| Interest paid | - | 20,000 |
| | | |

Notes to the financial statements (continued)

Other Disclosures

16. Related Party Disclosures

County Government of Elgeyo Marakwet

The County Government of **Elgeyo Marakwet** is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Elgeyo Marakwet has provided full guarantees to all long-term lenders of the Company, both domestic and external.

Other related parties include:

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

Cherang'any Marakwet Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

Transactions with related parties

| | 2025 Kshs | 2024 Kshs |
|---|------------------|--------------|
| a) Sales to related parties | | |
| Rent Income from govt. agencies | - | - |
| Water sales to Govt. agencies | 3,686,725 | 2,785,545 |
| Interest income from Govt Commercial Banks | - | - |
| Interest income from T-bills and Bonds | - | - |
| Others (Specify) | 3,686,725 | 2,785,545 |
| Total | | |
| 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 | 43,448 | 51,001 |
| Interest expense to investments by other govt. entities | - | - |
| Others (specify) | - | - |
| Total | - | - |
| b) Grants from the Government | | |
| Grants from National Govt Agencies | - | - |
| Grants from County Government | 3,535,599 | - |
| Donations in kind | - | - |
| Total | 3,535,599 | - |

Notes to the financial statements (continued)

17. 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.

Cherang'any Marakwet Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

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 2025 | | | | |
| Trade Receivables | 3,143,168 | 3,143,168 | 3,143,168 | - |
| Other Receivables | 100,000 | 100,000 | 100,000 | |
| Investments | 0 | 0 | 0 | |
| Bank balances | 330,984 | 330,984 | - | - |
| Total | 3,574,152 | 3,574,152 | 3,243,168 | - |
| At 30 June 2024 (previous Year) | | | | |
| Receivables | 2,050,915 | 2,050,915 | 2,050,915 | - |
| Other Receivables | 100,000 | 100,000 | 100,000 | - |
| Investments | 0 | 0 | 0 | - |
| Bank balances | 447,481 | 447,481 | 0 | - |
| Total | 2,598,396 | 2,598,396 | 2,150,915 | - |

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 clients inherited from the merged community projects to form the company.

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 2025 | | | | |
| Trade payables | - | 904,480 | - | 904,480 |
| Current portion of borrowings | - | - | - | - |
| Provisions | - | - | - | - |
| Deferred income | - | - | - | - |
| Employee benefit obligation | - | - | - | - |
| Total | | 904,480 | | 904,480 |
| At 30 June 2024 | | | | |
| Trade payables | - | 638,306 | - | 638,306 |
| Current portion of borrowings | - | - | - | - |
| Provisions | - | - | - | - |
| Deferred income | - | - | - | - |
| Employee benefit obligation | - | - | - | - |
| Total | | 638,306 | | 638,306 |

(iii) Market risk

The board has 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 Department in charge of risk management is 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.

Notes to the financial statements (continued)

v) 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:

| | 2025 | 2024 |
|--|------------------|------------------|
| | Kshs | Kshs |
| Revaluation reserve | 0 | 0 |
| Retained earnings | 2,260,376 | 1,699,469 |
| Capital reserve | 0 | 0 |
| | | |
| Total funds | 2,260,376 | 1,699,469 |
| Total borrowings | 0 | 0 |
| Less: cash and bank balances | (330,984) | (447,481) |
| Net debt/ (excess cash and cash equivalents) | 1,929,392 | 1,251,988 |
| Gearing | 85% | 74% |

18. Incorporation

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

19. Events After the Reporting Period

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

15. 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) |
|---|--|---|--|---|
| Basis for Qualified Opinion | 1. Variances between financial statement balances and supporting schedules | The variances between the Figures in the Financial Statements and the schedules have been noted. The financial statements figures for Financial Year 2024/2025 have been reinstated to correct the error as per IPSAS 3 Which provides for correction of prior period error and restatement of financial data through proper journal entries to ensure the Financial statements are accurate and complete. | Resolved | |
| | 2. Property plant and equipment | The management acknowledges the issue raised by the auditors regarding the lack of documentations for assets currently used by the company The CECM water has also promised to follow up with the Agencies on this. The BOD visited NRWWDA CEO | Not Resolved | March 2026 |

| 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) |
|---|---|--|--|---|
| | | and discussed the follow up of the transfer. | | |
| | 3. Grants from the county government not recognized in the Financial statements | It is true the county government of Elgeyo Marakwet seconded some staff during the year to assist in the setting of structures for the company, the omission have been noted and the staff costs for the seconded staff have been factored in the preparation of Financial statements for this financial year. | Resolved | |
| Basis for conclusion | 1. Failure to observe Ethnic balance on staff composition | During the period under review the Cherangany Marakwet Water and Sanitation Company Limited had not constituted a proper staff Establishment and most of the staff currently working for the company were inherited from the previous community water projects. This will be resolved after the appointment of the new board of Directors who will adopt/ratify the proposed Organogram. | Not Resolved | Before the end of 2026 financial year |
| | 2. Non-Revenue water | The company is in the process of metering all the customers and installation of master meters at the | Not resolved | Next financial year |

| 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) |
|--|---|---|-----------------------------------|--|
| | | <p>production points this will go a long way in resolving the issues of non-revenue water. The Agency has already advertised for the improvement works in Kapsowar scheme infrastructure and the supply of the meters and the billing system is the next phase</p> | | |
| | <p>3. Failure to establish human resource Policy and procedure Manual</p> | <p>we are pleased to report the recently inaugurated Board of Directors for the company who will immediately start working on some of the policies including the Human Resource policy and procedural manual for the company. The management recognizes the importance of complying with the Human Resource Policy and Procedure Manual and the National Cohesion and Integration Act, 2008. We will immediately develop a comprehensive staff establishment plan that outlines the required staff structure, roles, and responsibilities.</p> <p>The staff establishment plan will be submitted to the Managing Director and the Board for approval to ensure compliance with Section 2.1 of the Human Resource Policy and Procedure Manual. Once approved, the staff establishment plan will be implemented across the organization and regular</p> | <p>Not resolved</p> | <p>FY 2026</p> |

Chemung'any Marakwet Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

| 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) |
|--|-----------------------------------|---|-----------------------------------|--|
| | | monitoring and reviews will be conducted to ensure adherence to the approved staff establishment. | | |

CPA David Kimutai



Ag Managing Director

Date 29/8/2025