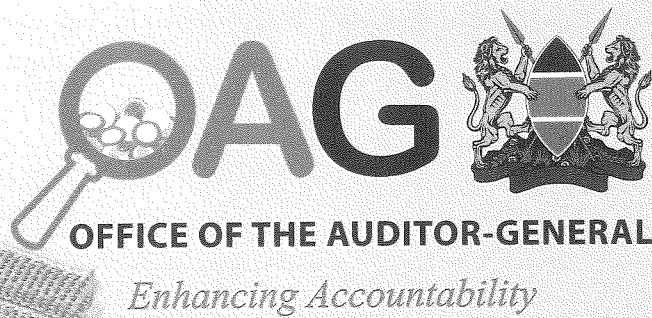


REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**WOTE WATER AND SEWERAGE  
COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2025**



OFFICE OF THE AUDITOR GENERAL  
P. O. BOX 30017, 00100, NAIROBI  
MAKHAOS MUB.

26 NOV 2025

RECEIVED



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**WOTE WATER AND SEWERAGE COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2025**

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

WOTE WATER & SEWERAGE COMPANY  
MAKUENI COUNTY  
  
26 NOV 2025  
  
P.O. BOX 174-90300,  
MAKUENI.

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**Wote Water and Sewerage Company Ltd**  
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**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**1. Acronyms and Glossary of Terms**

**A. Acronyms**

<b>CECM</b>	<i>County Executive Committee Member</i>
<b>CPF</b>	<i>County Pension Fund</i>
<b>CSR</b>	<i>Corporate Social Responsibility</i>
<b>DB</b>	<i>Defined Benefit</i>
<b>DC</b>	<i>Defined Contribution</i>
<b>DTF</b>	<i>Decentralized Treatment Facility</i>
<b>FIFO</b>	<i>First In First Out</i>
<b>ICPAK</b>	<i>Institute of Certified Public Accountants of Kenya</i>
<b>IFRS</b>	<i>International Financial Reporting Standards</i>
<b>KIWASH</b>	<i>Kenya Integrated Water Sanitation and Hygiene program</i>
<b>MARUWAB</b>	<i>Makueni Rural Water Board</i>
<b>MD</b>	<i>Managing Director</i>
<b>NITA</b>	<i>National Industrial Training Authority</i>
<b>NSSF</b>	<i>National Social Security Fund</i>
<b>NRW</b>	<i>Non Revenue Water</i>
<b>PFM</b>	<i>Public Financial Management</i>
<b>PPE</b>	<i>Property Plant and Equipment</i>
<b>PSASB</b>	<i>Public Sector Accounting Standards Board</i>
<b>SHIF</b>	<i>Social Health Insurance Fund</i>
<b>STAWI</b>	<i>Sustainable Transformational and Accessible Water Invention</i>
<b>UPC</b>	<i>Urban Project Concept</i>
<b>USAID</b>	<i>United States Agency for International Development</i>
<b>VAT</b>	<i>Value Added Tax</i>
<b>WASREB</b>	<i>Water Services Regulatory Board</i>
<b>WIP</b>	<i>Work In Progress</i>
<b>WRA</b>	<i>Water Resources Authority</i>
<b>WSP</b>	<i>Water Service Provider</i>
<b>WSTF</b>	<i>Water Sector Trust Fund</i>
<b>WWDA</b>	<i>Water Works Development Agency</i>

**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 Wote Water and Sewerage Company Limited was established by the Act of Parliament on 28<sup>th</sup> June 2006 and operates as a county entity of County Government of Makueni pursuant to Section 78 of Water Act 2016. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the Board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya.

### **Principal Activities**

The principal activity of the Company is water service provision.

### **Vision**

Access to quality, reliable and affordable water and sewerage services for all.

### **Mission**

To provide clean, safe, reliable, affordable and sustainable water and sewerage services through Collaborative processes within Wote and its environs.

### **Core Values**

Integrity, Professionalism and commitment, accountability and transparency, Customer focus, Equity and Team work.

### **Core Objectives**

- Increase access to water and sanitation services and coverage within area of jurisdiction
- Institutional strengthening of the company
- Ensure operational efficiency and sustainability of the company
- Attain financial sustainability of the company
- Ensure optimal utilization of available water/ optimizing water usage
- Mainstreaming cross-cutting issues of poverty, gender, environment and HIV/AIDS which impact on water and sanitation.

**Wote Water and Sewerage Company Ltd**  
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**Directors**

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

- |                          |                        |   |
|--------------------------|------------------------|---|
| 1. Dr. Charles Nzioka    | -Chairperson           | -Appointed on 1 <sup>st</sup> April 2025    |
| 2. Juliana Mutisya       | - Chairperson          | - Left on 30 <sup>th</sup> September 2024   |
| 3. Justus M. Kuti        | - Managing Director    | - Appointed on 12 <sup>th</sup> August 2024 |
| 4. Eng. John Kieti       | -CECM Water            | - Appointed on 8 <sup>th</sup> November2022 |
| 5. CPA. Damaris Kavoi    | -CECM Finance          | - Appointed on 8 <sup>th</sup> November2022 |
| 6. Rose Musyoka          |                        | -Left on 30 <sup>th</sup> September 2024    |
| 7. Pastor Joseph Mututa  |                        | - Appointed on 2 <sup>nd</sup> April 2024   |
| 8. James Manthi          | -Ag. Managing Director | -Left on 11 <sup>st</sup> August 2024       |
| 9. Amos Ndunda Mutuku    |                        | -Appointed on 1 <sup>st</sup> April 2025    |
| 10. Irene Mbithe Kithusi |                        | -Appointed on 1 <sup>st</sup> April 2025    |
| 11. John Muli Kiamba     |                        | -Appointed on 1 <sup>st</sup> April 2025    |

**Registered Office**

Makueni Sub county offices  
Opposite Makueni County Referral Hospital  
P.O. Box 132-90300  
Makueni, Kenya

**Corporate Headquarters**

Telephone: (254) 04433087  
E-mail: [wowascowote@yahoo.com](mailto:wowascowote@yahoo.com)  
[wowascofinance21@gmail.com](mailto:wowascofinance21@gmail.com)  
Customer Care Line: 0790833100/0783833100  
Website: [wotewater.co.ke](http://wotewater.co.ke)

**Corporate Bankers**

Equity Bank Limited  
Wote Branch  
P.O Box 450-90300  
Makueni, Kenya

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**Key entity information (continued)**

**Independent Auditor**

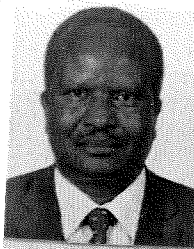

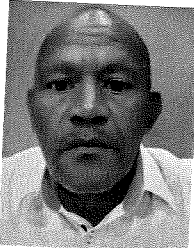

Auditor General  
The Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084GPO 00100  
Nairobi, Kenya

**Principal Legal Advisers**


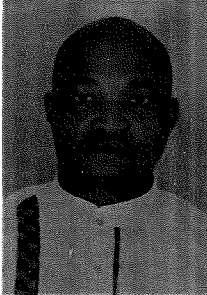
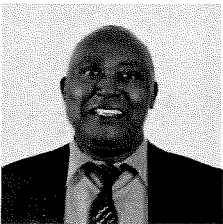

1. The Attorney General  
State Law Office, Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya
  
2. The County Attorney  
Office of the County Attorney  
County Government of Makueni  
P.O Box 78-90300  
Makueni

**Wote Water and Sewerage Company Ltd  
Annual Report and Financial Statements for the year ended June 30, 2025**

**3. The Board of Directors**

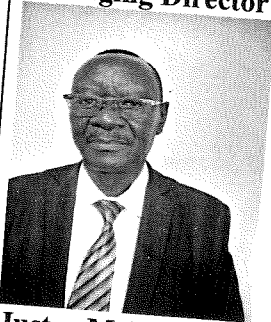
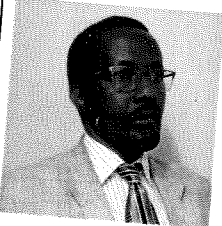

Directors	Details
<p><b>Dr. Charles Mutinda Nzioka</b></p>  <p><b>Chairman</b></p>	<p><b>Age:</b>61  <b>Academic Qualification:</b>Bachelor of medicine and Bachelor of surgery  <b>Key Professional Qualification:</b> Master of Public Health  <b>Work Experience:</b> Over 34 year in Medical practices,Management and Leadership positions  <b>Independent Director</b></p>
<p><b>Justus M. Kuti</b></p>  <p><b>Managing Director</b></p>	<p><b>Age:</b> 56  <b>Academic qualifications:</b> A-LEVEL  <b>Key professional:</b> B.COM (Finance)  <b>Work experience:</b> Over 25years in water supply operations &amp; management.  <b>Appointed on 12<sup>th</sup> August 2024</b></p>
<p><b>Pastor Joseph Mututa</b></p> 	<p><b>Age:</b>58  <b>Academic Qualification:</b> Advanced Certificate of Education and Bachelor of Theology.  <b>Key Professional Qualification:</b> Diploma in Water Engineering  <b>Work Experience:</b> Over 15 Years in water Engineering  <b>Independent Director</b></p>
<p><b>Amos Ndunda Mutuku</b></p> 	<p><b>Age:</b> 35  <b>Academic qualifications:</b> Bachelor of Law  <b>Key professional:</b> Diploma in Law  <b>Work experience:</b> Over 10 years experience as an advocate  <b>Independent Director</b></p>

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

<p><b>Irene Mbithe Kithusi</b></p> 	<p><b>Age:</b> 43</p> <p><b>Academic qualifications:</b> Bachelor of science in Information Technology</p> <p><b>Key professional:</b> Certified information systems auditor</p> <p><b>Work experience:</b> Over 10 years in systems audit</p> <p><b>Independent Director</b></p>
<p><b>John Muli Kiamba</b></p> 	<p><b>Age:</b> 35</p> <p><b>Academic qualifications:</b> Diploma in Highways Engineering</p> <p><b>Key professional:</b> Member of the institute of Engineering technologists and technicians (IET-K)</p> <p><b>Work experience:</b> Over 12 years in engineering</p> <p><b>Independent Director</b></p>
<p><b>Eng. John Kieti-CECM Water and Sanitation</b></p> 	<p><b>Age:</b>66</p> <p><b>Academic Qualification:</b> Bachelor of Science in Mechanical Engineering.</p> <p><b>Key Professional Qualification:</b> Registered Engineer</p> <p><b>Work Experience:</b> Over 15 Years in Water Engineering</p> <p><b>Representing County Government of Makeni</b></p>
<p><b>CPA. Damaris Kavoi-CECM Finance</b></p> 	<p><b>Age:</b>56</p> <p><b>Academic Qualification:</b> Masters in Business Administration</p> <p><b>Key Professional Qualification:</b> CPA(K)</p> <p><b>Work Experience:</b> Over 20Years in Financial Management, Consultancy and advisory services</p> <p><b>Representing County Government of Makeni</b></p>

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**4. Key Management Team**

Managers	Details
<p><b>Managing Director</b></p>  <p><b>Justus M. Kuti</b></p>	<ul style="list-style-type: none"> <li>• <b>Appointed on 12<sup>th</sup> August 2024</b></li> </ul> <p><b>Key academic/Professional qualification:</b> BCOM (Finance)</p> <p><b>Main responsibility</b></p> <p>Develop and recommend to the organization</p> <ul style="list-style-type: none"> <li>• long term strategies, business plans and annual operating budgets and establishments of proper internal monitoring and control systems.</li> <li>• Identify financial requirements for the functions and activities of WOWASCO</li> </ul> <p>Attend to all matters related to the functions and policies of the organization.</p>
<p><b>Finance Manager</b></p>  <p><b>CPA David Maingi</b></p>	<p><b>Key academic/Professional qualification:</b> BCOM (Finance), CPA (K)</p> <p><b>Main Responsibility</b></p> <p>To ensure that all financial resources of the company are acquired, disbursed, prudently invested, fully accounted and reported for a financially sound company.</p>
<p><b>Ag. Commercial Manager</b></p>  <p><b>Cecilia N. Muia</b></p>	<p><b>Key academic/Professional qualification:</b> Diploma In Water Engineering</p> <p><b>Main Responsibility</b></p> <p>To ensure that the strategies for services delivery and revenue generation of WOWASCO is carried out in accordance with laid down procedures in a more efficient and effective manner.</p>

## **5. Chairman's Statement**

During the financial year 2024/2025, several activities took place in the organization and among them was the implementation of kaiti II water project by the County Government of Makueni and funded by FLOCA. The project included; the improvement of water collection into an existing water sump at the kaiti river solarisation and laying of delivery pipes to camarel tanks and kaseve market.

The Makueni County Government in partnership with STAWI funded by USAID also started construction of three water projects. The project scope included water supply to sarova market, solarisation of mwaani boreholes and construction of 300m<sup>3</sup> sump tank at kamunyolo dam. Solarisation of mwaani boreholes was completed but the kaseve and kamunyolo projects were left at 98% level of completion as USAID withdrew their support. However, the county Government has budgeted funds to complete the projects in the financial year 2025/2026.

The projects were meant to improve access to safe drinking water, improve coverage and cut the cost of electricity.

The company's financed proposal for a decentralized treatment facility (DTF) by Water Sector Trust Fund (WSTF) at a cost of kshs 20,933,150 which had delayed due to lack of site for construction has actually started and is on-going. Once the project is completed, it will make remarkable improvement in the sanitation situation in Wote town and her environs.

The board would like to sincerely thank the County Government for the support given to the company and providing the required land for the construction of the sanitation facility geared toward improving the sanitation situation of Wote town.

The issue of Non-revenue water (NRW) has been a great challenge during the financial year. Non-revenue water increased from 33% in the year 2023/2024 to 35% in the year 2024/2025. Measures put in place to deal with this problem include; use of the provisions of the Makueni water Act 2020 to charge customers who have been found with illegal connections, taking disciplinary action against staff members who are found to have been involved in illegal water connections, intensifying line patrols by the technical field officer, sensitization of both staff and community/consumers on Non-Revenue water and ensuring fast responses to pipe bursts and leakages.

The management has done a number of proposals to potential partners and financiers including the County government, Water Sector Trust fund, the National water and Sanitation programme (NAWASP) and TANATHI Water Works Development Agency among others, aimed at improving water access, reduction of non-revenue water, operational efficiency, embracing information and communication technology.

The company faced a myriad of challenges throughout the financial year in question including infrastructure vandalism, frequent bursts occasioned by the old dilapidated infrastructure thus contributing to the high levels of non-revenue water.

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

The frequent machine (pumps) breakdown and burnt electrical parts especially in kaiti pumping station, mwaani booster station and kilala borehole have contributed to the high losses the company is facing.

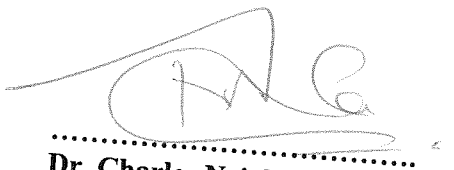
Due to financial constraints, we had power disconnections in the months of December 2024 and May 2025, which interrupted water supply. However, the county Government paid part of the outstanding bill.

As you get to peruse the financial statements you will realise that, the company has been making losses for a long period and the management is using all applicable strategic measures to reverse this trend, it is worth noting that all statutory obligations have been adhered to by submitting within the required timelines with exception of WIBA cover which has not been renewed owing to financial constraints.

To remedy on the financial performance of the company, the management intends to seek funding through the County Government and other stakeholders for solarisation of all pumping stations to reduce on the operational costs. In addition, reduction of the NRW from the current 35% during the year 2024/2025 to 25% or below will lead to increase in revenue realisation

The high operational costs and especially on electricity power consumption pose a big challenge to the company. The company water production involves pumping which in most instances is double pumping for the same volume of water and at other instances triple pumping which inflates the electricity and diesel bills to high levels monthly. This makes it difficult for the company to break even. It is hoped that this problem may be solved with successful partnerships and collaboration with major potential financiers and development partners for installation of cheaper sources of power like solar energy. Through collaboration and partnership the management will be able to prepare key policy and administrative documents as required by the regulator including the strategic plan that has expired.

I take this opportunity to express my sincere gratitude and appreciation to all our stakeholders, the County government of Makueni, government of Kenya, our esteemed customers, fellow directors, management and all our suppliers for their continued support which has been our pillar in the water service provision.



.....  
**Dr. Charles Nzioka**  
**Chairperson Board of Directors**

Date: 26/11/2025  
.....

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**6. Report Of the Managing Director**

During the financial year 2024/2025, several activities took place in the organization and among them was the implementation of kaiti II water project by the County Government of Makueni and funded by FLOCA. The project included; the improvement of water collection into an existing water sump at the kaiti river solarisation and laying of delivery pipes to camarel tanks and kaseve market.

The Makueni County Government in partnership with STAWI funded by USAID also started construction of three water projects. The project scope included water supply to sarova market, solarisation of mwaani boreholes and construction of 300m<sup>3</sup> sump tank at kamunyolo dam. Solarisation of mwaani boreholes was completed but the kaseve and kamunyolo projects were left at 98% level of completion as USAID withdrew their support. However, the county Government has budgeted funds to complete the projects in the financial year 2025/2026.

The projects were meant to improve access to safe drinking water, improve coverage and cut the cost of electricity.

The project is meant to improve an access to clean and safe water to the project area residents through individual connections and therefore improve on water coverage.

The company's financed proposal for a decentralized treatment facility (DTF) by Water Sector Trust Fund (WSTF) at a cost of kshs 20,933,150- which had delayed due to unconfirmed site has actually started and is on-going. The project is at 26.2% level of completion. It is expected that once the project is complete will make great improvement in the sanitation situation in Wote town and her environs.

The board would like to sincerely thank the County Government for the support given to the company and providing the required land for the construction of the sanitation facility geared toward improving the sanitation situation of Wote town.

Non-revenue water (NRW) has posed a great challenge during this financial year. Non-revenue water increased from 33% in the year 2023/2024 to 35% in the year 2024/2025. Measures put in place to deal with this problem include use of the provisions of the Makueni water Act 2020 to charge customers who have been found with illegal connections or found to illegal water use practices.

The company has taken further measures geared towards reduction of non-revenue water and include; Replacement of inefficient production and consumer meters, introduction of smart meter reading to avoid erroneous meter readings, customer meter sealing, instituting disciplinary action against staff members who are found to have been involved in illegal water, Intensifying line patrols by the technical field officer, Sensitization of both staff and community/consumers on Non-Revenue water and Ensuring fast responses to pipe bursts and leakages.

The management has done a number of proposals to potential partners and financiers including the County government, Water Sector Trust fund, the National water and Sanitation programme (NAWASP) and TANATHI Water Works Development Agency among others aimed at improving water access, reduction of non-revenue water, operational efficiency, \*

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**  
embracing information and communication technology.

---

The company experienced several challenges throughout the financial year in question including infrastructure vandalism, frequent bursts occasioned by the old dilapidated infrastructure thus contributing to the high levels of non-revenue water.


The frequent machine (pumps) breakdown and burnt electrical parts especially in kaiti pumping station, Mwaani intake, booster and kilala borehole which cost the company substantial amount of money thus contributed to the high losses the company is facing.

Due to the financial constraints, we had most of our pumping stations disconnected in the months of December 2024 and May 2025, hence reducing the water supplies and the revenues consequently.

The issue of limited and also seasonal water sources is also another major challenge facing the company and therefore making it difficult to meet the required water demand and more so during the dry season with low revenue realisation. However the company management has made several proposals to partners with the aim of developing more and reliable water sources.

High operational costs and mostly on electricity power is a key challenge to the company and takes a large percentage of the costs incurred by the company. The company water pumping involves more than double pumping for the same amount of water which leads to escalated power bill compared to the revenue margin. This hinders the company from meeting her expenses.

The low revenue returns contribute to negative working capital and threatening the going concern.

  
.....  
**Justus M. Kuti**  
**Managing Director/Secretary to the Board**  
Date: 22/11/2025.....

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**7. Statement Of Performance Against Predetermined Objectives for FY 2024/25**

Wote water and Sewerage Company limited has the following key strategic objectives;  
 To improve the current water distribution infrastructure systems and logistics in order to provide sufficient and equitable water supply; To strengthen the rationing program and enable reactivation of dormant customer accounts, To reduce the Non-revenue water (NRW) by ensuring timely repair of damaged pipes and identifying and firmly dealing with the illegal connections, to increase our financial base by improving our revenue collection strategies, Spearheading the WSP to have an approved water tariff.

In addition the company intends to engage with the County Government and other donors, partners and collaborators in improving and annexing of more water resources with a view to increasing productivity, reduce operational costs through solarisation of water pumping stations, as well as engaging stakeholders in a more regular manner to ensure good working environment

Currently the company does not have an approved strategic plan but it is in talks with the county government and STAWI to find on how to have it in place alongside other key policy and administrative documents,

The table below gives some summary of the key objectives and how they have been dealt with during this financial year 2024/2025,

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Water and sanitation infrastructure development	Increase water coverage  Increase sanitation coverage	Number of customers with access to water improved sanitation	Operationalize Kwakathoka borehole Construction of a DTF - Construction of safisan toilets.	Increased access to clean water Increased sanitation access as 200No. toilets constructed
To reduce the Non water revenue (NRW)	To reduce Non revenue water from 35% to 32%	Improve meter accuracy Do away with illegal connections	Service stalled meters Replace non-functional meters with efficient	Over 200no of meters are serviced each month 210no. of

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

			meters Enhanced pipeline patrols - Strict enforcing efforts	efficient meters were replaced
Reduce operational costs	To reduce monthly operational costs	Reduced operational costs especially on power	Solarisation of pumping stations	-Solarised mwaani intakes. -Mwaani booster. -Kaiti II
Working towards full cost coverage	Ensure that the entity has full cost coverage tariff	Cost coverage tariff	Water tariff application submitted to Wasreb.	Water tariff application ongoing final processing.
Improve staff performance	Doing continuous staff training	Trained staff	Taking staff for training and refresh training	3 members of staff undergoing training.
Increase on revenue collection	Collect more than 95% of revenue billed	Percentage of * revenue collected	Revenue collection team Monitoring and supervision in place.	98% of revenue collected

## **8. Corporate Governance Statement**

The company Board of Directors were appointed following the WASREB corporate governance guidelines (2018) and the Makueni County water Act 2020 as per sections 6 and 7 and water Act 2016, section 79 (2).

The Company's Board of Directors were competitively recruited in a transparent manner.

The board's functions include approving of the company's annual budget and ensure it is forwarded functionally to the water department of the county government, approve the annual procurement plan in accordance with the Public Procurement and Asset Disposal Act 2015 and ensure it receives quarterly reports on its implementation. The board of directors also ensure that there is an annual work plan that shows the basis on how it will implement its strategic plan. As well as ensuring that there is a service charter created that is communicated to stakeholders and consumers in the service area, showing the standards of service to be delivered and how complaints will be addressed. The board of directors ensures that the signed code of ethics for board and staff is a living implemented document that gives life to the value of the WSP and shapes the culture of the entity.

The board of directors also signed a performance contract with both the County executive member for Water and sanitation and the managing director who in turn cascaded it to the management team and in adapted format to all staff. This is meant to ensure that management submits to the board relevant information on performance on a quarterly basis.

An application for cost recovery tariff has been done and is being processed by WASREB for approval.

The boards' remuneration is mainly sitting allowance for all members for each meeting attended, transport reimbursement and a monthly honorarium for the chairperson of the board.

The members are subject to observance and adherence to integrity tenets that include, conflict of interest, code of ethics and conduct and other issues related to governance as stipulated in the WASREB corporate governance guidelines for the water sector 2018. The same has been adhered to during the period.

## **9. Management Discussion and Analysis**

The company was operational during the year despite various operational challenges ranging from high operations costs, high maintenance costs resulting from vandalism of water infrastructure on the sections installed with metallic materials which also led to huge water losses.

Most of the major stations were functioning well with an exception of kamunyolo dam which had low water levels.

During the year the company didn't experience a major challenge resulting from dry spell that is observed in the region in most other times.

The company got two new water sources of kaiti II and Ndukuma dam, both are serving now connections. managed to complete the kitikyumu –malivani-mwanzo water project that was not completed in the last financial year and is now giving water services to the intended area residents.

The company financed project aimed to improve on the sanitation situation of Wote town and it's environ which comprised a component of a decentralised treatment facility and 200no. Pour and cistern flush toilets was started after the acquisition of site for the DTF construction. It is now at 26.2% level of completion.

The company was fully compliant on meeting statutory requirements especially on remittances of statutory documents to the respective institutions such as NSSF, SHIF, KRA, NITA, Housing levy among others. However it owes some outstanding amounts of abstraction levy water resources authority, regulatory levy to WASREB and Tanathi water works development authority.

The company's financial challenges call for support from the County Government, National Government and other potential financiers to assist in the improvement of the company's financial situation.

Dilapidated infrastructure is a major challenge facing the company and need to be gradually addressed. The surface water pumps and electric motors especially in mwaani booster and kaiti 1 stations are old and their frequent breakdown lead to high maintenance cost.

The company management has engaged the County Government for procurement of new and quality pumps preferably submersible ones.

The problem of high cost of power resulting from the high elevations required to lift water to allow for water gravitational flow led the company to the development of solar energy installation proposals in all her station to the county government and other donor for financing to relief the company of this challenge. Mwaani intake and booster station was installed with solar energy and is currently working.

The company has further made proposals to the County Government, the National Government and other partners/donors for water sources development in order to increase water production which in turn will lead to improvement in revenue generation and reduce the gap operating with deficits.

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

The company's application for a cost recovery tariff to WASREB if considered and approved will enable the company to move a notch high and will make the company able to settle her outstanding payables.

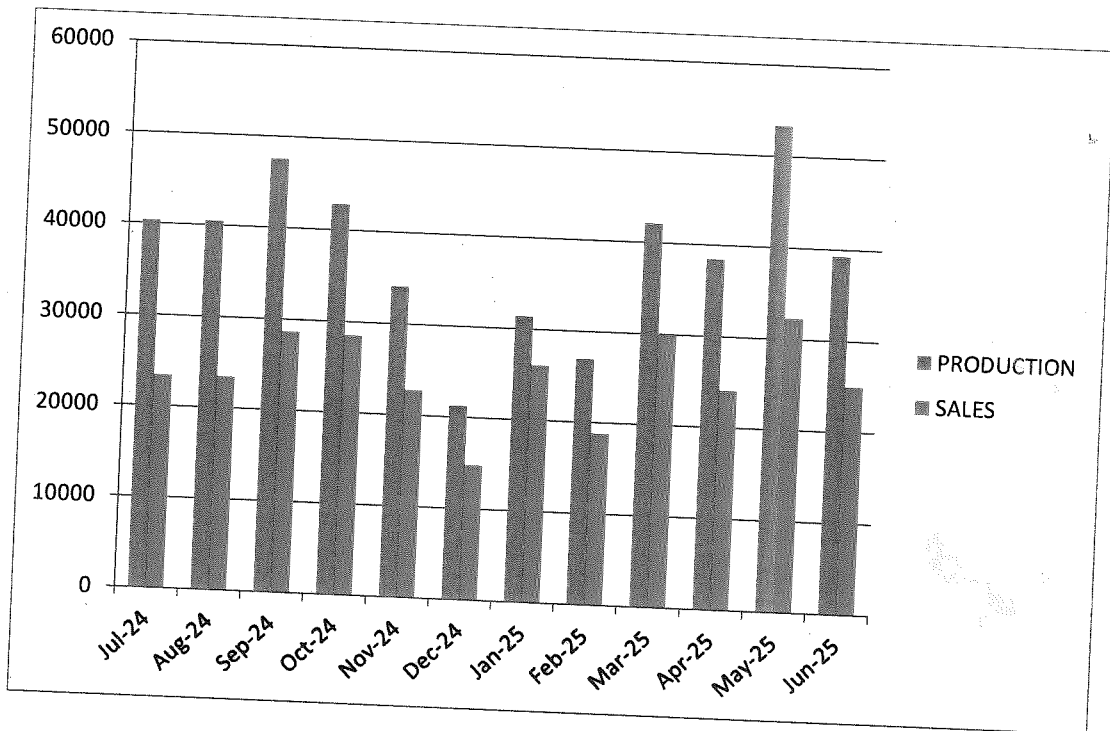
**Water production for the last two years**

	WATER PRODUCTION FOR 2023/2024												
	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL
Production in M <sup>3</sup>	36,119	35,776	29,173	22,706	20,994	17,932	35,925	36,878	31,907	23,589	19,136	31,496	341,631
Sales in M <sup>3</sup>	26,771	25,764	19,490	17,872	14,517	11,731	22,118	24,003	19,955	14,560	12,979	19,119	228,879
NRW	9,348	10,012	9,683	4,834	6,477	6,201	13,807	12,875	11,952	9,029	6,157	12,377	112,752
NRW%	26	28	33	21	31	35	38	35	37	38	32	39	33

	WATER PRODUCTION FOR 2024/2025												
	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL
Production in M <sup>3</sup>	40,302	40,468	47,542	42,800	34,107	21,263	31,355	26,949	42,122	38,467	53,365	39,243	457,983
Sales in M <sup>3</sup>	23,403	23,435	28,679	28,495	22,763	14,813	26,082	18,815	29,965	24,135	32,291	25,020	297,896
NRW	16,899	17,033	18,863	14,305	11,344	6,450	5,273	8,134	12,157	14,332	21,074	14,223	160,087
NRW%	42	42	39.7	33.4	33.3	30.2	16.9	30.2	28.9	37.3	39.5	36.2	35

Below is a bar chart showing the comparison between water produced against water sold in M<sup>3</sup> for the year ended June 30, 2025;

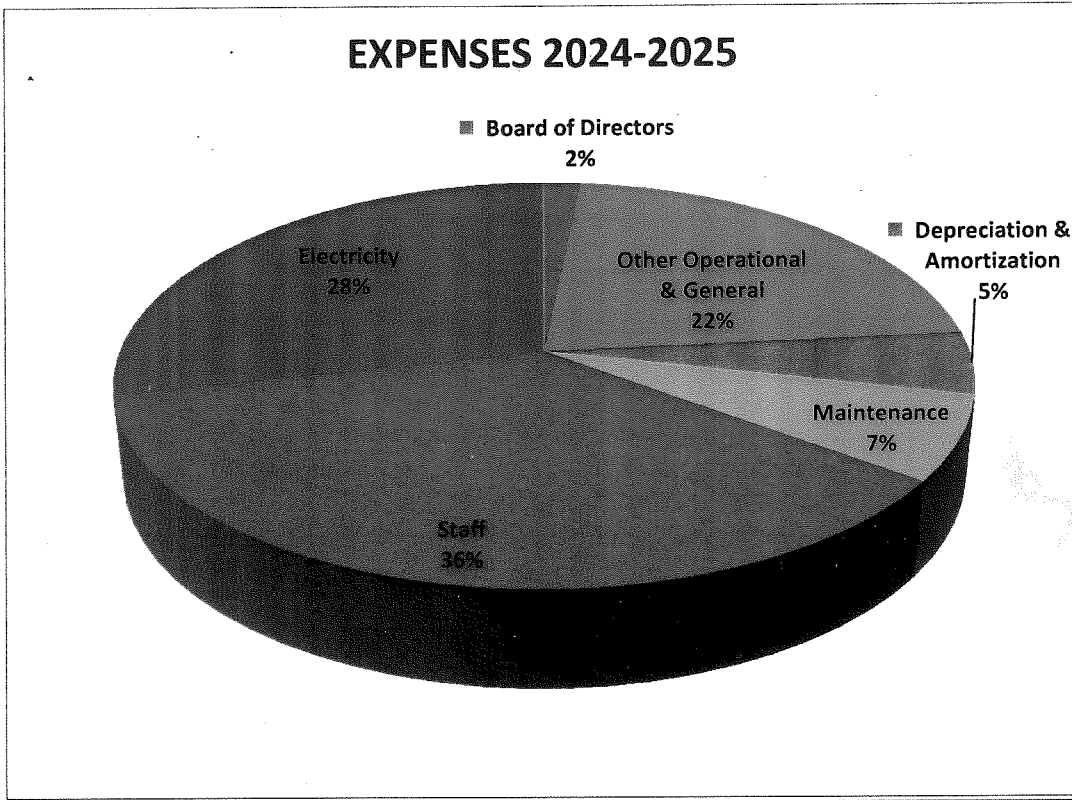
**Wote Water and Sewerage Company Ltd**  
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The company second highest operational expense is electricity. This is because our water sources are underground based such as boreholes and sumps. The water from these sources are double or triple pumped before it reaches the final consumers. The company and potential partners are looking for way and resources to solarise the pumping stations to reduce the power bill.

Below is a pie chart showing the cost elements and the respective percentages to the total annual expenses;

**COMPANY'S DISTRIBUTION OF EXPENCES**



**10. Environmental And Sustainability Reporting**

**i) Sustainability strategy and profile -**

For the company to achieve her mission to provide clean, safe, reliable, affordable and sustainable water and sewerage services its obliged in meeting the following objectives

- To increase access to water and sanitation services and coverage within area of jurisdiction
- To promote institutional strengthening of the company
- To ensure operational efficiency and sustainability of the company
- To attain financial sustainability of the company
- To realize optimal utilization of available water/ optimizing water usage
- To mainstream cross-cutting issues of poverty, gender, environment and HIV/AIDS which impact on water and sanitation.

To achieve this, the management has entered into partnership with both the county government and other potential development partners to achieve these objectives development of new water sources in order to meet the current water demand.

The management has also made an application of a cost recovery tariff that will enable increased revenue billing and collection and therefore the company will attain financial sustainability. The management has made proposals to several national and international donors to assist in installation of modern technology to optimise use of available resources and bring down the non-revenue water to acceptable levels.

**ii) Environmental performance.**

Though the company does not have her own environmental policy but it follows the County government one to promote environmentally friendly practices in her operations. The company staffs participate in environmental related forums including those for tree planting, garbage collection catchment protection among others that take place within Wote town and her environs. The Management has appointed an environmental Champion to spearhead matters on environment within the water company.

**iii) Employee welfare**

Matters relating to employees are guided by the company's human resource manual, and such matters include recruitment, promotions, and discipline among others. Staff recruitment is done in a competitive way and is done with the authority of the board and both genders are given equal opportunities. The workforce is composed of three categories namely those that have been seconded by the county government, those employed on permanent basis and those that are on contracts.

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

Training of employees is done on need basis though the entity falls short of financial capability to carry out substantial staff training.

**iv) Market place practices-**

**a) Responsible competition practice.**

The company is not in competition with any other in her area of water service provision, the management is considering entering into public private partnership especially with private borehole owners for bulk water purchase arrangements for distribution to her customers

The company responsibly supply potable water to her customer that make them confident of the service rendered.

**b) Responsible Supply chain and supplier relations**

Wote water maintains a good customer relations profile with all her stake holders through constant engagement and interactions. This involves regular communications and even faster grievance handling of customers.

**c) Responsible marketing and advertisement.**

The company maintains good operational practices in the spirit of providing clean, safe and sufficient affordable water to Wote residents and her environs

**d) Product stewardship**

The management and staff respects the rights of consumers at all levels. The company strives to ensure provision of safe clean and sufficient water to her customers. Any pre-organised water supply interruptions are communicated early enough and customer complains promptly addressed. Customers get their bill in time and any intent to disconnect them due to non-payment is communicated severally and in good time.

**v) Corporate Social Responsibility / Community Engagements**

In Kamunyolo dam the company provides free water to a self-help group involved in tree seedlings nursery preparation and growth. This is not only encourages growth of trees but also is responsive to issues related to climate change.

In the company premises where there are other offices involved the company provides free water for cleaning and drinking for the officers and visitors.

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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In addition Water Sector Trust Fund (WSTF) provided funds for improving sanitation by subsidising plot owners to upgrade or construct new toilets to the required standards. The cost for the subsidy for the period was Kshs 3,970,500 under WSTF-UBSUP/Safisan toilet project.

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**11. 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 service provision.

**ii) Results**

The results of the company for the year ended June 30, 2025 are set out on page 1. Below is summary of the profit or loss made during the year.

	<u>2025</u>	<u>2024</u>
Total Revenue	44,356,455	39,424,623
Total Expenses	(52,087,790)	(46,900,466)
<b>Profit/(Loss) before tax</b>	<b>(7,731,335)</b>	<b>(7,475,843)</b>

**iii) Dividends**

The company has not declared dividends for the year ended June 30, 2025 due to the ownership of the Company being a County Government Entity.


**iv) Directors**

The members of the Board of Directors who served during the year are shown on page vi In accordance with Regulation 58 of the company's Articles of Association.

**v) Auditors**

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

By Order of the Board

.....  
  
**Justus M. Kuti**  
**Managing Director/Secretary to the Board**

Date: 26/11/2025.....

**12. Statement Of Directors' Responsibilities**

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 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.

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, 2025, 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.

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**Statement Of Directors' Responsibilities (Continued)**

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern and disclose that the Company's ability to sustain its operations will depend on Government subsidies and other stakeholder's support. The company's high operational costs have led to the persistent losses, negative retained earnings and negative working capital.

**Approval of the financial statements**

The company's financial statements were approved by the Board on 26 / 11 / 2025 and signed on its behalf by:

  
.....

**Dr. Charles M. Nzioka**  
**Chairperson of the Board**

  
.....

**Justus M. Kuti**  
**Managing Director**

# REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

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

## REPORT OF THE AUDITOR-GENERAL ON WOTE WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

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### 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.

An Unmodified Opinion is issued when the Auditor-General concludes that 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 aim to address the Auditor-General's statutory roles and responsibilities 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

#### Opinion

I have audited the accompanying financial statements of Wote Water and Sewerage Company Limited set out on pages 1 to 42, which comprise of 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, the financial statements present fairly, in all material respects, the financial position of Wote Water and Sewerage 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 with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Wote Water and Sewerage 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 opinion.

### **Material Uncertainty Relating to Going Concern**

The statement of profit or loss and other comprehensive income reflects loss before taxation of Kshs.7,731,335 (Deficit of Kshs.7,475,843 for financial year 2023/2024). In addition, the statement of financial position reflects current liabilities totalling Kshs.43,045,510 against current assets of Kshs.20,297,092 resulting in a negative working capital of Kshs.22,748,418.

Further, trade and other payables balance of Kshs.43,045,510 increased by Kshs.11,382,070 from the previous year's balance of Kshs.31,663,440, which may be an indication of the Company's inability to settle its obligations as and when they fall due.

Management highlighted in the annual report several challenges which include infrastructure vandalism, frequent bursts occasioned by dilapidated infrastructure, frequent pump machine breakdown and burnt electrical parts in Kaiti pumping station

Although, Management has outlined a number of measures it intends to take to ensure future improved profitability of the Company including seeking funding from County Government and other stakeholders for solarization of all pumping stations to reduce on the operational costs, the measures may not bear immediate results.

In the circumstances, the ability of the Company to continue to sustain its services is dependent on continued support from the County Government and other stakeholders.

My opinion is not modified in respect of this matter.

## Emphasis of Matter

### 1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total revenue budget and actual on comparable basis of Kshs.55,247,500 and Kshs.44,356,455 respectively resulting to under-collection of Kshs.10,891,045 or approximately 20% of the budget. In addition, the Company expended Kshs.52,870,006 against actual receipts of Kshs.44,356,455 resulting to over-absorption of Kshs.8,513,551 or approximately 19% of actual receipts.

The under-collection of revenue negatively affected service delivery to the public and the over-absorption may imply that the Company's performance was poor.

### 2. Long Outstanding Payables

The statement of financial position reflects trade and other payables balance of Kshs.43,045,510 as disclosed in Note 25 to the financial statements. Review of ageing analysis revealed that trade payables amounting to Kshs.15,854,605 or approximately 37% of the payables were outstanding for more than three (3) years. This implies that the Company failed to prioritize settlement of debts and were not treated as a first charge in the subsequent years as required.

Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

## 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 effects of the matter described in the Material Uncertainty Related to Going Concern section, I have determined that there are no other key audit matters to communicate in my report

## Other Matter

### 1. Unresolved Prior Year Audit Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, Effectiveness of Internal Controls, Risk Management and Governance respectively. Review of the status during audit of Wote Water and Sewerage Company Limited in 2024/2025 revealed that the following matters remained unresolved.

	Financial Year	Audit Issue
1	2023/2024	Unconfirmed Customers' Deposits
2	2023/2024	Lack of Approved Information Technology Security Policy
3	2023/2024	Non-Compliance with Law on Ethnic Composition

## **Other Information**

The Management is responsible for the Other Information set out on pages iii to xxv 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 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**

#### **Excessive Non-Revenue Water**

Review of the Company's records revealed that water production was 457,983 cubic meters (M<sup>3</sup>) during the year under review, out of which only 297,896 cubic meters (M<sup>3</sup>) was billed to customers. The balance of 160,087 cubic meters (M<sup>3</sup>) or approximately 35% of total production represents Non-Revenue Water (NRW) valued at Kshs.19,210,440. The NRW for the Company was above the allowable loss threshold of 25%. Although, Management attributed the high levels of Non-Revenue Water (NRW) to frequent bursts due to dilapidated distribution network, vandalism of water supply infrastructure, illegal water connections and inefficient production and consumer water meters, no measures have been put in place to address the issues.

In the circumstances, the effectiveness of the Company's water production, profitability and sustainability of service to the residents of Makueni could not be confirmed.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON THE 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 effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### Basis for Conclusion

#### 1. Lack of a Strategic Plan

The Company did not have a Strategic Plan during the year under review to guide its long-term objectives.

In the circumstances, Management was not able to coordinate activities and ensure efficient resource utilization.

#### 2. Lack of a Risk Management Policy and Disaster Recovery Plan

The Company Management had not put in place a Risk Management Policy, strategies and risk register to mitigate against risk. It was therefore not clear how risk exposure was managed. This is contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015. Further, the Company did not have Disaster Recovery and Business Continuity Plans required for identifying, preventing and mitigating against disasters and ensuring that its operations are not interrupted.

In the circumstances, Management's preparedness towards responding to risk could not be confirmed.

#### 3. Lack of Annual Board Work Plan

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflect Kshs.852,115 in respect to Board expenses which include Kshs.310,500 incurred on sitting allowances. Review of Board operations revealed that the annual Board Workplan had not been developed contrary to Parameter 1.9 of Mwongozo Code of Governance for State Corporations which states that the Board should ensure the development of an Annual Board Workplan that guides

on strategic policies, risks, budget and finance, quality assurance, evaluation, review governance and compliance among others.  
In the circumstances, the effectiveness of the operations of the Board could not be confirmed.

#### **4. Excessive Electricity Bills**

The statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflect Kshs.26,151,216 in respect to general and operational expenses which includes Kshs.14,701,429 incurred on electricity. The expenditure is approximately 56% of the total operating expenses. This may negatively affect the operations of the water company.

In the circumstances, the high-power costs impacted negatively on the profitability and sustainability of the services by the Company.

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:

- 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. The information given in the Directors' report on pages xi to xii is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on pages xi, xii, 21 and 34 has been properly prepared in accordance with the Companies Act, 2015.

##### **Basis for Conclusion**

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

##### **Responsibilities of 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 (IFRS) and for maintaining effective internal controls as Management determines is necessary to

enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal 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 is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

#### **Auditor-General's Responsibilities for the Audit**

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

04 December, 2025

**Wote Water and Sewerage Company Ltd.**

**Annual Report and Financial Statements for the year ended June 30, 2025**

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

	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	6	37,967,268	29,991,005
Grants Income	7	5,363,787	8,709,584
Other Income	8	1,025,400	724,034
<b>Total Revenue</b>		<b>44,356,455</b>	<b>39,424,623</b>
<b>Expenses</b>			
Staff Costs	9	19,023,592	20,961,339
General and Operations expenses	10	26,151,216	20,486,978
Board Expenses	11	852,115	345,256
Maintenance Expenses	12	3,469,822	2,793,060
Depreciation and Amortization expenses	13	2,591,045	2,313,833
<b>Total Expenses</b>		<b>52,087,790</b>	<b>46,900,466</b>
<b>Profit/(Loss) Before Taxation</b>		<b>(7,731,335)</b>	<b>(7,475,843)</b>
<b>Income Tax Expense/(Credit)</b>	14	<b>0</b>	<b>0</b>
<b>Profit/(Loss) After Taxation</b>		<b>(7,731,335)</b>	<b>(7,475,843)</b>
Earnings Per Share – Basic and Diluted	15	(1,546.30)	(1,495.17)
<b>Other Comprehensive Income</b>			
<b>Profit/ (Loss) After Taxation</b>		<b>(7,731,335)</b>	<b>(7,475,843)</b>
<b>Total Comprehensive Income for The Year</b>		<b>(7,731,335)</b>	<b>(7,475,843)</b>

**Wote Water and Sewerage Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**15. Statement Of Financial Position As at 30 June 2025**

	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	29,907,150	29,950,590
Intangible assets	17	316,000	270,000
<b>Total non-current assets</b>		<b>30,223,150</b>	<b>30,220,590</b>
<b>Current assets</b>			
Inventories	18	7,313	91,358
Trade and receivables	19	13,608,317	8,950,853
Bank and cash balances	20	6,681,462	9,698,846
<b>Total current assets</b>		<b>20,297,092</b>	<b>18,741,057</b>
<b>Total Assets</b>		<b>50,520,242</b>	<b>48,961,647</b>
<b>Equity and liabilities</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	21	40	40
Capital reserve	22	34,596,837	37,079,977
Retained earnings	23	(33,186,995)	(25,455,660)
<b>Capital and Reserves</b>		<b>1,409,882</b>	<b>11,624,357</b>
<b>Non-current liabilities</b>			
Customer Deposits	24	6,064,850	5,673,850
<b>Total non-current liabilities</b>		<b>6,064,850</b>	<b>5,673,850</b>
<b>Current liabilities</b>			
Trade and other payables	25	43,045,510	31,663,440
<b>Total current Liabilities</b>		<b>43,045,510</b>	<b>31,663,440</b>
<b>Total Equity and Liabilities</b>		<b>50,520,242</b>	<b>48,961,647</b>

**Wote Water and Sewerage Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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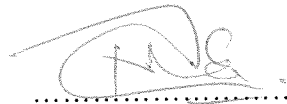
The financial statements were approved by the Board on 26/11/ 2025 and signed on its behalf by:



.....  
**Justus M. Kuti**  
**Managing Director**



.....  
**David K. Maingi**  
**Head of Finance**  
ICPAK M/No: 14658



.....  
**Dr. Charles M. Nzioka**  
**Chairman of the Board**

Wote Water and Sewerage Company Ltd  
Annual Report and Financial Statements for the year ended June 30, 2025

16. 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)		40	0	0	(17,979,817)	0	17,021,356	(958,421)
Profit for the year		0	0	0	(7,475,843)	0	0	(7,475,843)
Capital/Development grants received during the year		0	0	0	0	0	20,058,621	20,058,621
As at June 30, 2024 (Previous FY)		40	0	0	(25,455,660)	0	37,079,977	11,624,357
As at July 1, 2024 (Current FY)		40	0	0	(25,455,660)	0	37,079,977	11,624,357
Profit for the year		0	0	0	(7,731,335)	0	0	(7,731,335)
Capital/Development grants received during the year	22	0	0	0	0	0	1,622,250	1,622,250
Transfer of Project funds	7	0	0	0	0	0	(100,719)	(100,719)
Transfer of WSTF toilet subsidy		0	0	0	0	0	(3,970,500)	(3,970,500)
Refund of Project funds		0	0	0	0	0	(34,171)	(34,171)
At June 30, 2025 (Current FY)		40	0	0	(33,186,995)	0	34,596,837	1,409,882

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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

	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Operating Receipts		33,701,559	32,586,397
Grants Income		4,073,149	0
Borrowing from County Government		1,500,000	0
Other Income		821,400	449,400
Customer Deposits		391,000	343,000
<b>Total Receipts</b>		<b>40,487,108</b>	<b>33,378,797</b>
<b>Payments</b>			
Staff Costs		19,083,896	16,872,328
General And Operation Expenses		16,218,093	11,476,850
Board Expenses		784,375	378,620
Maintenance Expenses		2,341,384	3,283,326
Refund Of Customer Deposits		0	0
<b>Total Payments</b>		<b>38,427,748</b>	<b>32,011,124</b>
<b>Net Cash From/ (Used In) Operating Activities</b>	27	<b>2,059,360</b>	<b>1,367,673</b>
<b>Cash Flows from Investing Activities</b>			
Purchase Of Property, Plant And Equipment (PPE)	16	(2,423,605)	(6,787,807)
Transfer of WSTF Toilet subsidy to Revenue		(3,970,500)	0
Grants received for PPE		1,624,180	10,089,121
Purchase Of Intangible Assets	17	(170,000)	0
WSTF Project balance returned		(34,171)	0
WSTF Project balance transferred to revenue		(100,719)	0
County Government capital grant balance		(1,930)	0
<b>Net Cash From/ (Used In) Investing Activities</b>		<b>(5,076,744)</b>	<b>3,301,314</b>
<b>Cash Flows from Financing Activities</b>			
<b>Net Cash From/(Used In) Financing Activities</b>		<b>0</b>	<b>0</b>
<b>Increase/(Decrease) In Cash and Cash Equivalents</b>		<b>(3,017,384)</b>	<b>4,668,987</b>
<b>Cash And Cash Equivalents At Beginning of Year</b>		<b>9,698,846</b>	<b>5,029,859</b>
Effects Of Foreign Exchanges Rate Fluctuations		0	0
<b>Cash And Cash Equivalents At End of the Year</b>	20	<b>6,681,462</b>	<b>9,698,846</b>

Water and Sewerage Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2025

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

Description	Original budget	Adjustment	Final budget	Actual on comparable basis	Performance difference	% of utilization	Budget Notes
	Kshs a	Kshs b	Kshs C=a+b	Kshs d	Kshs e= c-d	f=d/c %	
Budget carryovers from the previous year*	0	0	0	0	0		
Revenue							
Operating Revenue	54,785,500	0	54,785,500	37,967,268	16,818,232	69.3%	1
Non-Operating Revenue	0	0	0	0	0	0%	
Grants	0	0	0	5,363,787	(5,363,787)	x%	2
Finance Income	0	0	0	0	0	0%	
Other income	462,000	0	462,000	1,025,400	(563,400)	221.9%	3
<b>Total Revenue</b>	<b>55,247,500</b>	<b>0</b>	<b>55,247,500</b>	<b>44,356,455</b>	<b>10,891,045</b>	<b>80.3%</b>	
Expenses							
Staff Costs	23,061,912	0	23,061,912	19,023,592	4,038,320	82.5%	4
Board Expenses	2,286,000	0	2,286,000	852,115	1,433,885	37.3%	5
General and operations Expenses	24,634,343	0	24,634,343	26,151,216	(1,516,873)	106%	6
Maintenance	2,674,200	0	2,674,200	3,469,822	(795,622)	129.8%	7
Depreciation and amortization	2,591,045	0	2,591,045	2,591,045	0	100%	
<b>Total Recurrent Expenditure</b>	<b>55,247,500</b>	<b>0</b>	<b>55,247,500</b>	<b>52,087,790</b>	<b>3,159,710</b>	<b>94.3%</b>	
<b>Total Expenditure</b>	<b>55,247,500</b>	<b>0</b>	<b>55,247,500</b>	<b>52,087,790</b>	<b>3,159,710</b>	<b>94.3%</b>	
Surplus	0	0	0	(7,731,335)	(7,731,335)		
Capital Expenditure	19,933,650	0	19,933,650	782,216	19,151,434	4%	8
<b>Total Expenditure</b>	<b>75,181,150</b>	<b>0</b>	<b>75,181,150</b>	<b>52,870,006</b>	<b>(22,311,144)</b>	<b>70.3%</b>	

**BUDGET NOTES:**

1. **OPERATING REVENUES:-** *Kamunyolo dam was expected to be fully operational the whole year, however the water collected was not enough.*
2. **REVENUE GRANTS:-** *Grants were not budgeted for.*
3. **OTHER INCOME:-** *We received more water connection applications than was anticipated translating to increased new connection charges.*
4. **STAFF COSTS:-** *During budget preparation we had factored salary increment for staff and recruitment of Internal Auditor and an ICT officer which were not done. In addition, one of the County Government staff seconded to the company was transferred resulting to reduction in salary top-up for the period.*
5. **BOARD EXPENSES:-** *The Board Committees never met as was anticipated.*
6. **GENERAL AND OPERATIONS EXPENSES:-** *The over expenditure is attributable to WSTF funded toilet subsidy to plot owners which had not been budgeted for.*
7. **MAINTENANCE COSTS:-** *Frequent breakdowns to our pumping plant resulted to increase in maintenance costs especially electrical faults and machine bearings.*
8. **CAPITAL EXPENDITURE:-** *This is attributable to the WSTF funded DTF project whose procurement process was finalized towards the end of the financial year. The project delayed due to the donor reporting requirements especially on the procurement of the contractor.*

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**19. Notes To the Financial Statements**

**1. General Information**

Wote Water and Sewerage Company Ltd is established by and derives its authority and accountability from Company's Act. The Company is wholly owned by the Makueni County Government and is domiciled in Kenya. The Company's principal activity is water service provision.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

**2. Statement of Compliance and Basis of Preparation**

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

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

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

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**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.*

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
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"> <li>i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date.</li> <li>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</li> <li>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.</li> </ul>	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 significant impact on the company's financial statements.)*

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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 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*

Wote Water and Sewerage Company Ltd did not early – adopt any new or amended standards in year under review.

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**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 water** 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) Other income** is recognized as it accrues.

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**Notes to the financial statements (continued)**

**Summary of Accounting Policies (continued)**

**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.

**d) Depreciation and impairment of property, plant and equipment**

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

Depreciation on property, plant and equipment is recognized in the income statement on a 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		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%
Office equipment, furniture and fittings	5	20%

A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal.

**Notes to the financial statements (continued)**

**Summary of Accounting Policies (continued)**

**e) Intangible assets**

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

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

**f) Amortization and impairment of intangible assets**

Amortization is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized and the asset is written down to its estimated recoverable amount.

**g) 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 FIFO method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**h) 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 at the rate of 100% of all outstanding amounts for more than 360 days. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted.

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**Notes to the financial statements (continued)**

**Summary of Accounting Policies (continued)**

**i) 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.

**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.

**k) 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.

**l) Retirement benefit obligations**

The Company operates a defined contribution scheme for all full-time employees from July 1, 2021. The scheme is administered by County Pension Fund(CPF) and is funded by contributions from both the company and its employees. In addition, the employees on contract are in a gratuity arrangement administered by CPF and is funded by the company.

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**Notes to the financial statements (continued)**

**Summary of Accounting Policies (continued)**

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 Kshs.4,320 per employee per month.

**m) Budget information**

The original budget for FY 2024-2025 was approved by the Board of Directors on 16<sup>th</sup> August 2024. The Company's budget is prepared on the same basis to the actual income and expenditure disclosed in the financial statements. 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.

**n) Comparative figures**

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

**o) 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, 2025.

**Notes to the financial statements (continued)**

**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.

Some of the estimates and assumptions include:

- Depreciation of property, plant and equipment
- Amortization of intangible assets
- Provisions

**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.

- Depreciation on reducing balance method on an estimated useful life
- Amortization of intangible assets on straight line method on an estimated useful life.

**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.

**Notes to the financial statements (continued)**

**Significant Judgments and Sources of Estimation Uncertainty (continued)**

**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.

Provisions applicable are: Provision for bad and doubtful debts at 100% of debtors above 360 days and provision for audit fees based on the previous year's invoice.

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**Notes to the financial statements (continues)**

**6. Operating Revenue**

	2024-2025	2023-2024
	Kshs	Kshs
Water sales	35,871,365	27,718,895
Billing for other services*	2,095,903	2,272,110
<b>Total</b>	<b>37,967,268</b>	<b>29,991,005</b>

*Billing for other services refers to income generated from services such as meter charges and water trucking transport.*

**7. Grants Income**

	2024-2025	2023-2024
	Kshs	Kshs
Operational grants from Government entities	1,241,500	2,870,360
WSTF-Kitikyumu water project	100,719	1,853
County Government of Makeni- Kilala electricity	49,138	5,837,371
WSTF toilet subsidy	3,970,500	0
Operating grants from County Government of Makeni	1,930	0
In Kind contribution/donations from other agencies	0	0
<b>Total</b>	<b>5,363,787</b>	<b>8,709,584</b>

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**Notes to the financial statements (continues)**

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
Department of Water Makueni C. Government	1,241,500	0	0	1,241,500	1,241,500
Department of Water Makueni County Government	49,138	0	0	49,138	49,138
Department of Water Makueni County Government	1,930	0	0	1,930	1,930
Water Sector Fund (WSTF)	3,970,500	0	0	3,970,500	3,970,500
Water Sector Fund (WSTF)	100,719	0	0	100,719	100,719
<b>Total</b>	<b>5,363,787</b>	<b>0</b>	<b>0</b>	<b>5,363,787</b>	<b>5,363,787</b>

**8. Other Income**

	2024-2025	2023-2024
	Kshs	Kshs
Sale of Tender	1,000	0
Fine and penalties	522,000	216,000
Miscellaneous income (b)	502,400	508,034
<b>Total</b>	<b>1,025,400</b>	<b>724,034</b>

**Wote Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**Notes to the financial statements (continues)**

**(b) Miscellaneous income**

	2024-2025	2023-2024
	Kshs	Kshs
Skilled labour charges	330,000	296,000
New connection fees	165,000	148,000
Disconnection on request	2,400	2,400
Change of account Name	5,000	3,000
Staff surcharges	0	58,634
<b>Total</b>	<b>502,400</b>	<b>508,034</b>

**9. Staff Costs**

Description	2024-2025	2023-2024
	Kshs	Kshs
Gross Salary and Allowances (b)	15,824,370	18,136,210
Casual workers' Wages	108,000	148,000
Medical insurance schemes	366,964	323,800
Employer's contributions to social security schemes	609,850	475,641
Employer's contributions to pension scheme	354,165	361,347
Gratuity provisions	1,512,974	1,240,946
Staff welfare	12,000	20,000
WIBA	0	0
NITA	19,550	21,550
Affordable Housing Employer contribution	215,719	233,845
<b>Total</b>	<b>19,023,592</b>	<b>20,961,339</b>
<b>The average number of employees during the year</b>	<b>28</b>	<b>35</b>

**(b) Gross Salaries and Allowances**

	2024-2025	2023-2024
	Kshs	Kshs
Salaries for Company staff	13,531,890	12,887,190
Salary top up for Government seconded staff	1,050,980	2,378,660
Seconded staff salaries paid by the Government	1,241,500	2,870,360
<b>Total</b>	<b>15,824,370</b>	<b>18,136,210</b>

**Wote Water and Sewerage Company Ltd**  
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**Notes to the financial statements (continues)**

**10. General and Operations Expenses**

Description	2024-2025	2023-2024
	Kshs	Kshs
Chemicals	190,838	241,063
Electricity	14,701,429	14,851,307
Fuel, oil, lubricants, and gases	559,724	224,776
Office supplies	611,351	399,883
Telecommunication	672,384	504,723
Postage and courier	17,243	13,107
Insurance	90,338	0
Domestic Traveling and subsistence	228,500	436,000
Staff training and development	20,000	0
Bank Charges	75,740	52,606
Security services	642,269	0
Publicity and advertising	0	0
Audit fees	232,000	232,000
Licensing and levies	2,017,688	1,567,888
Operating Allowances	367,550	62,350
Professional fee	19,200	15,200
Other Administrative costs	31,005	91,384
Other operating/general expenses	1,845,509	1,616,736
Provision for doubtful debts-increase/(decrease)	(663,671)	(348,234)
WSTF Toilet subsidy plot owners	3,970,500	0
Operating Transport	521,619	526,189
<b>Total</b>	<b>26,151,216</b>	<b>20,486,978</b>

**11. Board Expenses**

Description	2024-2025	2023-2024
	KShs	KShs
Chairman Honoraria	300,000	300,000
Chairman's company contribution to housing levy	1,500	3,756
Sitting allowances	310,500	11,500
Transport	150,000	5,000
Other Expenses	90,115	25,000
<b>Total Board Expenses</b>	<b>852,115</b>	<b>345,256</b>

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**Notes to the financial statements (continued)**

**12. Maintenance Expenses**

Description	2024-2025	2023-2024
	Kshs	Kshs
Plant and Equipment		
Infrastructural networks	1,310,868	517,023
Motor vehicles/Bikes	1,395,286	1,132,809
Office equipments	696,928	1,042,058
	66,740	101,170
<b>Total Maintenance Expenses</b>	<b>3,469,822</b>	<b>2,793,060</b>

**13. Depreciation and Amortization Expenses**

Description	2024-2025	2023-2024
	KShs	KShs
Property, plant, and equipment	2,467,045	2,223,833
Intangible assets	124,000	90,000
<b>Total Depreciation and Amortization</b>	<b>2,591,045</b>	<b>2,313,833</b>

**14. Income Tax Expense/(Credit)**

**Current taxation**

	2024-2025	2023-2024
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	(2,935,171)	(4,958,756)
Current tax: prior year under/(over) provision	0	0
Current year deferred tax charge	0	0
Prior year under-provision for deferred tax	0	0
<b>Total</b>	<b>(2,935,171)</b>	<b>(4,958,756)</b>
<b>Current Tax</b>	<b>0</b>	<b>0</b>

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**Notes to the financial statements (continued)**

**Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit**

	2024-2025	2023-2024
	Kshs	Kshs
Profit before taxation	(7,731,335)	(7,475,843)
Tax at the applicable tax rate of 30%	(2,319,400)	(2,242,753)
Current tax	0	0
Prior year under-provision	0	0
Tax effects of expenses not deductible for tax purposes	(199,102)	(104,470)
Tax effects of income not taxable	(417,986)	(2,612,875)
Tax effects of excess capital allowances over depreciation/amortization	1,317	1,342
Deferred tax prior year over-provision	0	0
<b>Total</b>	<b>(2,935,171)</b>	<b>(4,958,756)</b>

**15. Earnings Per Share**

The earnings per share is calculated by dividing the profit after tax of Kshs. (7,731,335) (2023-2024: KShs. (7,475,843) by the average number of ordinary shares of 5,000. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

Notes to the financial statements (continued)

**16. 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
<b>Depreciation rate 2024</b>		2.5%	2.5%	12.5%	25%	33%	20%	0%	
<b>Cost or Valuation</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>As At 1 July 2023 (Comparative FY)</b>	150,000	661,800	2,294,982	1,619,701	3,145,539	209,880	62,072	10,189,024	18,332,998
<b>Additions</b>	0	0	0	11,219,204	0	42,000	0	5,496,103	16,757,307
<b>As at 30<sup>th</sup> June 2024 (comparative FY)</b>	150,000	661,800	2,294,982	12,838,905	3,145,539	251,880	62,072	15,685,127	35,090,305
<b>Depreciation</b>									
<b>As At 1 July 2023 (Comparative FY)</b>	0	93,269	442,415	777,509	1,376,173	170,740	55,776	0	2,915,882
<b>Charge for the year</b>	0	14,213	231,571	1,507,673	442,342	26,775	1,259	0	2,223,833
<b>As at 30<sup>th</sup> June 2024 (comparative FY)</b>	0	107,482	673,986	2,285,182	1,818,515	197,515	57,035	0	5,139,715
<b>Net Book Value As at 30<sup>th</sup> June 2024 (Comparative FY)</b>	150,000	554,318	1,620,996	10,553,723	1,327,024	54,365	5,037	15,685,127	29,950,590

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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
<b>2025</b>									
<b>Cost or Valuation</b>									
<b>At 1 July 2024</b>	150,000	661,800	2,294,982	12,838,905	3,145,539	251,880	62,072	15,685,127	35,090,305
Additions	0	0	0	1,622,250	0	0	19,140	782,215	2,423,605
Transfers/ Adjustments	0	0	14,961,335	0	0	0	0	0	14,961,335
<b>As At 30<sup>th</sup> June 2025 (Current FY)</b>	150,000	661,800	17,256,317	14,461,155	3,145,539	251,880	81,212	16,467,342	52,475,245
<b>Depreciation</b>									
<b>As At 1 July 2024 (Current FY)</b>	0	107,482	673,986	2,285,182	1,818,515	197,515	57,035	0	5,139,715
Charge for the year	0	13,858	576,665	1,521,996	331,752	17,939	4,835	0	2,467,045
Transfer/Adjustment -Kitikyumu	0	0	0	0	0	0	0	14,961,335	14,961,335
<b>As at 30<sup>th</sup> June 2025 (Current FY)</b>	0	121,340	1,250,651	3,807,178	2,150,267	215,454	61,870	14,961,335	22,568,095
<b>Net book value</b>									
<b>As at 30<sup>th</sup> June 24 (comparative FY)</b>	150,000	554,318	1,620,996	10,553,723	1,327,024	54,365	5,037	15,685,127	29,950,590
<b>As at 30<sup>th</sup> June 2025 (Current FY)</b>	150,000	540,460	16,005,666	10,653,977	995,272	36,426	19,342	1,506,007	29,907,150

*[Capital works in progress relates to Water Sector Fund funded UBSUP Project for construction of a DTF]*

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**Notes to the financial statements (continued)**

**16 (b) Property, Plant and Equipment at Cost**

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

	Cost or valuation	Normal annual depreciation charge
Computers and related equipment	14,480	4,827
Office equipment, furniture and fittings	4,880	976
<b>Total</b>	<b>19,360</b>	<b>5,803</b>

**17. Intangible Assets**

	2024-2025 Kshs	2023-2024 Kshs
<b>Cost</b>		
<b>At July 1</b>		
Additions	917,000	917,000
Disposals	170,000	0
<b>At June 30</b>	<b>(0)</b>	<b>(0)</b>
	<b>1,087,000</b>	<b>917,000</b>
<b>Amortization</b>		
<b>At July 1</b>		
Charge for the year	647,000	557,000
Disposals	124,000	90,000
Impairment loss	(0)	(0)
<b>At June 30</b>	<b>(0)</b>	<b>(0)</b>
<b>Net book value</b>	<b>771,000</b>	<b>647,000</b>
<b>At June 30</b>	<b>316,000</b>	<b>270,000</b>

*[Intangible assets relates to billing system, payroll system and company website.]*

**18. Inventories**

	2024-2025 Kshs	2023-2024 Kshs
General stores	0	0
Chemicals & Laboratory items	5,673	89,153
Fuel, oil and lubricants	1,640	2,205
Motor vehicle spare parts	0	0
Less: Impairment of stocks	(0)	(0)
<b>Total</b>	<b>7,313</b>	<b>91,358</b>

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Notes to the financial statements (continued)

**19. Trade and Other Receivables**

	2024-2025	2023-2024
	KShs	KShs
Trade receivables (note (20a))	13,608,277	8,939,813
Deposits and prepayments	0	0
VAT (Value Added Tax) recoverable	0	0
Staff receivables (note 20 (b))	0	11,000
Other receivables	40	40
<b>Gross trade and other receivables</b>	<b>13,608,317</b>	<b>8,950,853</b>
Provision for bad and doubtful receivable	(0)	(0)
<b>Net trade and other receivables</b>	<b>13,608,317</b>	<b>8,950,853</b>
<b>Analysed as:</b>		
<b>Short- Term Trade and Other Receivables</b>	<b>13,608,317</b>	<b>8,950,853</b>

**19. (a) Trade Receivables**

	2024-2025	2023-2024
	Kshs	Kshs
Gross trade receivables	14,824,232	10,819,439
Provision for doubtful receivables	(1,215,955)	(1,879,626)
<b>Net trade receivables</b>	<b>13,608,277</b>	<b>8,939,813</b>
<b>As at June 30, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	2,802,480	2,343,782
Between 30 and 60 days	2,660,712	1,148,498
Between 61 and 90 days	2,258,600	1,395,720
Between 91 and 120 days	1,892,035	1,422,608
Between 121 and 180 days	1,585,065	1,317,672
Between 181 and 240 days	1,278,530	600,123
Between 241 and 360 days	1,130,855	711,410
Over 360 days	1,215,955	1,879,626
<b>Total</b>	<b>14,824,232</b>	<b>10,819,439</b>

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Notes to the financial statements (continued)

**19. Trade and Other Receivables**

	2024-2025	2023-2024
	KShs	KShs
Trade receivables (note (20a))	13,608,277	8,939,813
Deposits and prepayments	0	0
VAT (Value Added Tax) recoverable	0	0
Staff receivables (note 20 (b))	0	11,000
Other receivables	40	40
<b>Gross trade and other receivables</b>	<b>13,608,317</b>	<b>8,950,853</b>
Provision for bad and doubtful receivable	(0)	(0)
<b>Net trade and other receivables</b>	<b>13,608,317</b>	<b>8,950,853</b>
<b>Analysed as:</b>		
<b>Short- Term Trade and Other Receivables</b>	<b>13,608,317</b>	<b>8,950,853</b>

**19. (a) Trade Receivables**

	2024-2025	2023-2024
	Kshs	Kshs
Gross trade receivables	14,824,232	10,819,439
Provision for doubtful receivables	(1,215,955)	(1,879,626)
<b>Net trade receivables</b>	<b>13,608,277</b>	<b>8,939,813</b>
<b>As at June 30, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	2,802,480	2,343,782
Between 30 and 60 days	2,660,712	1,148,498
Between 61 and 90 days	2,258,600	1,395,720
Between 91 and 120 days	1,892,035	1,422,608
Between 121 and 180 days	1,585,065	1,317,672
Between 181 and 240 days	1,278,530	600,123
Between 241 and 360 days	1,130,855	711,410
Over 360 days	1,215,955	1,879,626
<b>Total</b>	<b>14,824,232</b>	<b>10,819,439</b>

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Notes to the financial statements (continued)

19. (b) Staff Receivables

	2024-2025	2023-2024
	Kshs	Kshs
Staff charges	0	11,000
<b>Net Staff Receivables</b>	<b>0</b>	<b>11,000</b>

20. Bank and Cash Balances

	2024-2025	2023-2024
	Kshs	Kshs
Cash at bank	6,554,566	9,356,099
Cash in hand	2,326	97
Mobile money account	124,570	342,650
	<b>6,681,462</b>	<b>9,698,846</b>

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2024-2025	2023-2024
		KShs	KShs
<b>a) Current account</b>			
Equity Bank -Expenditure	0670-291-950-577	146,670	174,214
Equity Bank -Kitikyumu	0670-282-621-684	0	134,890
Equity Bank -Kunda kindu	0670-284-323-351	1,722,657	6,475,372
<b>Sub- total</b>		<b>1,869,327</b>	<b>6,784,476</b>
<b>b) On - call deposits</b>			
Equity Bank- Revenue	0670-191-950-573	(20,601)	(242,981)
Equity Bank- Deposit	0670-191-950-545	3,891,142	2,000,372
Equity Bank- Deposit	Performance Bond	814,232	814,232
<b>Sub- total</b>		<b>4,684,773</b>	<b>2,571,623</b>
<b>c) Others(specify)</b>			
Cash in transit		0	0
Cash in hand		2,326	97
Mobile money account		124,570	342,650
Post Bank		466	0
<b>Sub- total</b>		<b>127,362</b>	<b>342,747</b>
<b>Grand total</b>		<b>6,681,462</b>	<b>9,698,846</b>

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**Notes to the financial statements (continued)**

**21. Ordinary Share Capital**

	2024-2025	2023-2024
	Kshs	Kshs
<b>Authorized:</b>		
5,000 ordinary shares of Kshs.20 par value each	100,000	100,000
<b>Issued and fully paid:</b>	0	0
<b>Issued and NOT fully paid</b>		
2 ordinary shares of Kshs.20 par value each	40	40

**22. Capital Reserve**

	2024-2025	2023-2024
	Kshs	Kshs
<b>Initial Capital inherited from previous scheme</b>		
Accruals	(94,638)	(94,638)
Creditors	(79,201)	(79,201)
Customer Deposits used on operations	(340,350)	(340,350)
Inventories	1,093	1,093
Debtors	370,444	370,444
Cash and Bank Balances	35,640	35,640
<b>Total Initial Capital</b>	<b>(107,012)</b>	<b>(107,012)</b>
Water Sector Trust Fund Grant -CLSG	1,422,100	1,422,100
Water Sector Trust Fund Grant	14,961,335	15,096,225
USAID- KIWASH	2,500,000	2,500,000
Makueni County Govt-Submersible motor	1,000,000	1,000,000
Makueni County Govt-Solar Panels	9,969,500	9,969,500
Makueni County Government-Kunda kindu(WIP) DTF	2,609,964	2,609,964
Water sector Trust Fund Grant – Kunda kindu(WIP) DTF	618,700	4,589,200

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Makueni County Government-Solar Integration	1,622,250	0
<b>Total Capital Grants</b>	<b>34,703,849</b>	<b>37,186,989</b>
<b>Total Capital Reserve</b>	<b>34,596,837</b>	<b>37,079,977</b>

**23. Retained Earnings**

The retained earnings represent amounts available for the Company's business activities and expansion since no distributions are made. The amount is shown in the statement of changes in equity.

However, we have assessed the entity's ability to continue as a going concern and disclose that the Company's ability to sustain its operations will depend on Government subsidy and other stakeholder's support. The company's high operational costs have led to the persistent losses, negative retained earnings and negative working capital.

**24. Refundable Customer Deposits and prepayments**

	2024-2025	2023-2024
	<i>Kshs</i>	<i>Kshs</i>
Refundable Customer deposits (b)	6,064,850	5,673,850
Prepayments by customers	119,860	590,077
Retention/Contract deposits	0	0
Others	0	0
<b>Total</b>	<b>6,184,710</b>	<b>6,263,927</b>

**Aging Analysis for Refundable Deposits and Prepayments**

	2024-2025	% of the total	2023-2024	% of the total
Under one year	510,860	8.3%	933,077	14.9%
1-2 years	697,500	11.3%	536,500	8.6%
2-3 years	289,423	4.7%	906,000	14.5%
Over 3 years	4,686,927	75.7%	3,888,350	62.0%
<b>Total</b>	<b>6,184,710</b>		<b>6,263,927</b>	

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**Notes to the financial statements (continued)**

**(b) Refundable Customer Deposits**

	2024-2025	2023-2024
	<i>Kshs</i>	<i>Kshs</i>
Opening Balance	5,673,850	5,330,850
Add: deposits received during the period	391,000	343,000
Less: Refunded deposits during the period	0	0
<b>Closing balance (at the end of the period)</b>	<b>6,064,850</b>	<b>5,673,850</b>

**25. Trade and Other Payables**

	2024-2025	2023-2024
	<i>Kshs</i>	<i>Kshs</i>
Trade payables	18,043,661	7,107,108
Revenue Received in Advance	119,860	590,077
Employee payables	2,434,297	3,759,177
Other payables	22,447,692	19,947,078
<b>Total</b>	<b>43,045,510</b>	<b>31,403,440</b>
<b>b). Capital assets</b>		
Payables for capital assets	0	260,000
<b>Sub-total Capital assets payables</b>	<b>0</b>	<b>260,000</b>
<b>Total Trade and other Payables</b>	<b>43,045,510</b>	<b>31,663,440</b>

**Aging Analysis for Trade and other Payables**

	2024-2025	% of the total	2023-2024	% of the total
Under one year	19,501,075	45.3%	9,969,485	31.5%
1-2 years	3,514,550	8.2%	4,028,819	12.7%
2-3 years	4,175,280	9.7%	1,728,490	5.5%
Over 3 years	15,854,605	36.8%	15,936,646	50.3%
<b>Total</b>	<b>43,045,510</b>		<b>31,663,440</b>	

**Wote Water and Sewerage Company Ltd  
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**Notes to the financial statements (continued)**

**26. Retirement Benefit Obligations**

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	Insert Current FY	Insert Comparative FY
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	0	0	0	0	0
Non-current benefit obligation	0	0	0	0	0
Total	0	0	0	0	0

**Retirement benefit Asset/ Liability**

The Company does NOT operate a defined benefit (DB) scheme but instead operates a defined contribution (DC) scheme.

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 6% employee's pensionable pay per employee per month to a limit of Kshs 4,320. Other than NSSF the entity also has a defined contribution scheme operated by County Pension Fund (CPF). Employees contribute 5% while employer contributes 5% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

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**Notes to the financial statements (continued)**

**27. Notes to The Statement of Cash Flows**

	2024-2025	2023-2024
	Kshs	Kshs
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations</b>		
Profit or loss before tax	(7,731,335)	(7,475,843)
Depreciation	2,467,045	2,223,833
Amortization	124,000	90,000
(Gain)/loss on disposal of property, plant and equipment	0	0
<b>Operating profit/(loss) before working capital changes</b>	<b>(5,140,290)</b>	<b>(5,162,010)</b>
Working capital changes:		
(Increase)/decrease in inventories	84,045	7,823
(Increase)/decrease in trade and other receivables	(4,657,464)	1,679,455
Increase/(decrease) in trade and other payables	11,773,069	4,842,405
Increase/(decrease) in retirement benefit obligations	0	0
Increase/(decrease) in provision for staff leave pay	0	0
<b>Cash generated from/ (used in) operation</b>	<b>2,059,360</b>	<b>1,367,673</b>
<b>(b) Analysis of cash and cash equivalents</b>		
Cash at bank	6,554,566	9,356,099
Cash in hand	2,326	97
Mobile money	124,570	342,650
<b>Balance at end of the year</b>	<b>6,681,462</b>	<b>9,698,846</b>

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**Notes to the financial statements (continued)**

**Other Disclosures**

**28. Related Party Disclosures**

**County Government of Makueni**

The County Government of Makueni is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County Government of Makueni 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
- Government of Kenya
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors

**Transactions with related parties**

	2024-2025	2023-2024
	Kshs	Kshs
<b>a) Sales to related parties</b>		
Water sales to Govt. agencies	6,209,486	6,030,900
<b>Total</b>	<b>6,209,486</b>	<b>6,030,900</b>
<b>b) Grants from the Government</b>		
Grants from National Govt Agencies	0	6,479,157
Grants from County Government	2,914,818	12,317,695
Donations in kind	0	0
<b>Total</b>	<b>2,914,818</b>	<b>18,796,852</b>
<b>c) Key management compensation</b>		
Directors' emoluments	852,115	345,256
Compensation to key management	4,694,285	4,102,623
<b>Total</b>	<b>* 5,546,400</b>	<b>4,447,879</b>

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**29. Financial Risk Management**

The Company's activities expose it to a variety of financial risks including credit and liquidity risks. 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.

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
<b>At 30 June 2025</b>				
Trade Receivables	14,824,232	9,613,827	3,994,450	1,215,955
Other Receivables	40	0	40	0
Investments	0	0	0	0
Bank balances	6,681,462	6,681,462	0	0
<b>Total</b>	<b>21,505,734</b>	<b>16,295,289</b>	<b>3,994,490</b>	<b>1,215,955</b>
<b>At 30 June 2024 (previous Year)</b>				

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Receivables	10,819,439	6,310,608	2,629,205	1,879,626
Other Receivables	40	0	40	0
Investments	0	0	0	0
Bank balances	9,698,846	9,698,846	0	0
<b>Total</b>	<b>20,518,325</b>	<b>16,009,454</b>	<b>2,629,245</b>	<b>1,879,626</b>

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 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
<b>At 30 June current year</b>				
Trade payables	3,143,270	4,083,597	15,040,244	22,267,111
Provisions	232,000	0	0	232,000
Payable to Related parties	4,169,119	575,222	15,682,198	20,426,539
Customer pre-payments	0	119,860	0	119,860
<b>Total</b>	<b>7,544,389</b>	<b>4,778,679</b>	<b>30,722,442</b>	<b>43,045,510</b>
<b>At 30 June previous year</b>				
Trade payables	1,382,858	576,960	5,147,290	7,107,108
Other payables	1,461,382	2,297,795	260,000	4,019,177
Provisions	232,000	0	0	232,000

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Payable to Related parties	133,368	195,967	19,385,743	19,715,078
Customer pre-payments	0	590,077	0	590,077
<b>Total</b>	<b>3,209,608</b>	<b>3,660,799</b>	<b>24,793,033</b>	<b>31,663,440</b>

**(iii) Market risk**

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.

**iv) 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:

	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	(33,186,995)	(25,455,660)
Capital reserve	34,596,837	37,079,977
<b>Total funds</b>	<b>1,409,842</b>	<b>11,624,317</b>
Total borrowings	0	0
Less: cash and bank balances	(6,681,462)	(9,698,846)
Net debt/ (excess cash and cash equivalents)	6,681,462	9,698,846
<b>Gearing</b>		

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**Notes to the financial statements (continued)**

**30. Incorporation**

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

**31. Events After the Reporting Period**

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

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**20. 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)
<b>A. REPORT ON THE FINANCIAL STATEMENTS</b>				
<b>Basis for Qualified Opinion</b>				
1	Unconfirmed Customer Deposits Balance	The Management is committed to repaying the borrowed deposit through a bank standing order.	Not Resolved	30 <sup>th</sup> June 2026
2	Unconfirmed Receipts in the Bank	The Management has made a follow up with the customers to identify the water accounts specifically paid for.	Resolved	
<b>Emphasis of Matter</b>				
1	Budgetary Control and Performance	The company is working towards reducing the lead time between breakdowns and replacement of the pumping stations. In addition, a cost recovery tariff has been applied for awaiting WASREB approval.	Not Resolved	30 <sup>th</sup> June 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2	Long Outstanding Trade and Other Payables	The cost recovery tariff applied for is expected to increase revenue to enable settlement of the payables. In addition, the Management has reached out to TANATHI WWDA for a waiver of lease fee arrears consideration.	Not Resolved	30 <sup>th</sup> June 2027
<b>Other Matter</b>				
1	Unresolved Prior Year Matters	The company has profiled all the remaining prior year matters and its engaging the relevant stakeholders to bring them to a close.	Not Resolved	30 <sup>th</sup> June 2026
2	Material Uncertainty Related to Going Concern	The cost recovery tariff applied for is expected to enable financial sustainability. The County Government and TANATHI WWDA are working closely to increase water sources for subsequent revenue increase.	Not Resolved	30 <sup>th</sup> June 2026
<b>B. REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES</b>				
1	Lack of a	The management is in the	Not	30 <sup>th</sup> June 2026


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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Strategic Plan	process of developing its strategic plan to guide the organization's operations.	Resolved	
2	Excessive Non-Revenue Water	New master meters will be installed to increase accuracy on production through a project funded by TANATHI WWDA.	Not Resolved	30 <sup>th</sup> June 2027
3	Non-Compliance with Law on Ethnic Composition	Advertisement for recruitment is done via media of wide coverage. The management is committed to full compliance	Not Resolved	30 <sup>th</sup> June 2026
4	Non-Compliance with the Law on Fiscal Responsibility-Wage Bill	The cost recovery tariff when approved will increase revenue earnings by the company and hence lower staff cost to revenue ratio.	Not Resolved	30 <sup>th</sup> June 2026
<b>C. REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE</b>				
1	Lack of Internal Audit and an Audit Committee	The company is to recruit an Internal Auditor in the FY 2025-2026	Not Resolved	31 <sup>st</sup> December 2025
2	Lack of Approved Information Technology	The management is in the process of drafting various policy manuals including ICT policy for approval by	Not Resolved	30 <sup>th</sup> June 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Security Policy	the Board.		
3	Non-compliance with Guidelines on Board Operations	The company will ensure the new Board complies with all Board guidelines.	Resolved	
4	Irregular Recruitment of a Board Member	The clearance documents as required during recruitment to be provided.	Resolved	

Justus M. Kuti

Signature:.....

Managing Director

Date.....26/11/2025

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**Appendix II: Projects Implemented by the Company**

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. Kunda Kindu	03HS/TAWWDA/ MAKUENI/ WOTE/035	WSTF- UBSUP	12 Months	18,323,686.00	Yes	Yes
2. Kunda Kindu	03HS/TAWWDA/ MAKUENI/ WOTE/035	Makueni County Govt.	12 Months	2,609,964.00	Yes	Yes

**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Kunda Kindu	20,933,150	5,476,508	26%	20,933,150	5,476,508	WSTF/Makueni County Govt.
2							

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**Appendix III- Inter-Entity Confirmation Letter**

**The company DID NOT disburse funds to another entity during the year**

**Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30<sup>th</sup> June 2025**

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
		0	0	0	
<b>Total</b>					

**Appendix IV: Reporting of Climate Relevant Expenditures**

**There was NO expenditure on climate change**

Project Name	Project Description	Project Objectives	Project Activities	Project Expenditures				Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
				0	0	0	0		

**Appendix V: Reporting Disaster Management Expenditure**

Date:

Entity

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
					0	

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**Appendix VI: Recording of Transfers from Other Government Entities**

Name of the Country/MDA/Don or Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Where Recorded/recognized						Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific		
Ministry/County department of Water	-	Recurrent	0	0	0	0	0	0	0	0
Ministry/County Department of water.	30/06/2025	Direct Payment	1,241,500	1,241,500	0	0	0	0	0	0
County Government of Makueni	31/03/2025	Direct Payment	49,138	49,138	0	0	0	0	0	0
Ministry/County department of Water	31/03/2025	Recurrent/ Development	1,624,180	1,930	1,622,250	0	0	0	0	1,624,180
Water Sector Fund(WSTF)	31/03/2025	Recurrent	100,719	100,719	0	0	0	0	0	100,719
Water Sector Fund(WSTF)	30/6/2025	Recurrent	3,970,500	3,970,500	0	0	0	0	0	3,970,500
<b>Total</b>			<b>6,986,037</b>	<b>5,363,787</b>	<b>1,622,250</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,695,399</b>