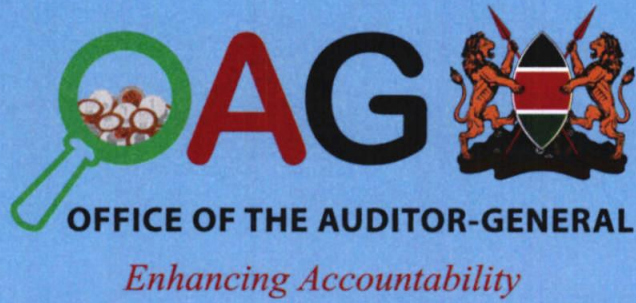


REPUBLIC OF KENYA



REPORT

OF



THE AUDITOR-GENERAL

ON

**MALINDI WATER AND SEWERAGE
COMPANY LIMITED**

**FOR THE YEAR
ENDED 30 JUNE, 2024**

PAPERS LAID	
DATE	25/2/2025
TABLED BY	Majority leader
COMMITTEE	
CLERK AT TABLE	Maalim



MALINDI WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

Malindi Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

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1. Acronyms and Glossary of Terms

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
WASREB	Water Services Regulatory Board
MAWASCO	Malindi Water and Sewerage Company Limited
AGM	Annual General Meeting
CWWDA	Coast Water Works Development Agency

Malindi Water and Sewerage Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

2. Key Entity Information

Background information

The Company was established pursuant to the Water Act 2002. It was incorporated on 25th August 2005. 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 in Malindi Sub- County of Kilifi County.

Principal Activities

The principal activity of Malindi Water and Sewerage Company is the Supply of Water and Sanitation Services to the Residents of Malindi and Magarini sub-counties.

Vision

To be the most efficient Water and Sewerage Service Provider in East Africa

Mission

To provide sufficient high-quality water and efficient sewerage services in the most cost-effective way that exceed our customers' expectations.

Core values

- i. Customer Focus:
We are committed to meeting our customer's needs and expectations.
- ii. Innovativeness:
We encourage creativity and ingenuity within our mandate.
- iii. Integrity:
We are committed to a culture that promotes honesty, transparency, accountability, professional ethics and zero tolerance to corruption.
- iv. Teamwork:
We promote unity of purpose.
- v. Excellence:
We are committed to timely delivery of high-quality services that exceeds our stakeholder's expectations.

Malindi Water and Sewerage Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

Key Entity Information (Continued)

Directors

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

	<u>Name</u>	<u>Position</u>	<u>Appointment Date</u>
1.	Samson Mapinga	-Chairperson	Appointed on 24th March 2023
2.	Felix Wanje	-Managing Director	Appointed on 1 st November 2023
3.	Maureen Obunga	-Member	Reappointed on 24th March 2023
4.	Aisha Kiringo	-Member	Appointed on 24th March 2023
5.	Hamza Hamisi Hussein	-Member	Appointed on 24 th March 2023
6.	Shakir Swaleh Mohamed	-Member	Appointed on 24 th March 2023
7.	Winnie Luwali	-Member	Appointed on 24 th March 2023
8.	Hezekiah Mwaruwa	-Member	Appointed on 24 th March 2023
9.	Sammy Kazungu Kaingu	-Member	Appointed on 24 th March 2023
10.	Stella Bahati Masha	-Member	Appointed on 24 th March 2023

Corporate Secretary

Mwangi and Mwaura Advocates
Kipro Centre,
6th Floor, Westlands
P.O. Box 26513-00504
Nairobi, KENYA

Registered Office

Malindi Water and Sewerage Co. Ltd
Water Road,
Next to County Assembly of Kilifi
P.O. Box 410-80200
Malindi, KENYA.

Corporate Headquarters

Malindi Water and Sewerage Co. Ltd
Water Road,
Next to County Assembly of Kilifi
P.O. Box 410-80200
Malindi, KENYA.

Malindi Water and Sewerage Company Limited
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Key Entity Information (Continued)

Corporate Contacts

Telephone: (254) 4231037

E-mail: info@malindiwater.co.ke

Website: www.malindiwater.co.ke

Corporate Bankers

Kenya Commercial Bank

P. O. Box 1800-80200

Malindi, Kenya.

Equity Bank Limited

P. O. Box 9- 80200

Malindi, Kenya.

Post Bank of Kenya

P. O. Box

Malindi, Kenya.

Independent Auditors

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

Principal Legal Advisers

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

Malindi Water and Sewerage Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

3. The Board of Directors

Directors	Details
	<p>Director Samson Mkutano Mapinga, Chairperson of the board of directors was born in 1969. He was appointed on 24th March 2023. He has vast experience in Management having worked in different capacities. He holds a Certificate in County Governance. He represents the Farmers in the board of directors.</p>
	<p>Director Aisha Muthoni Kiringo, Chairperson of the Finance and Planning Committee of the Board of Directors was born in 1968. She was appointed on 24th March 2023. She has vast experience in Community Development. She has a Diploma in Community Health and Development. She represents the Women Groups in the board of directors.</p>
	<p>Director Stella Bahati Masha, Chairperson of the Human Resource and Administration Committee of the Board of Directors was born in 1977. She was appointed on 24th March 2023. She has vast experience in Administration. She has a Diploma in Company Secretarial Services. She represents the Farmers in the board of directors.</p>
	<p>Director Sammy Kazungu Kaingu, Chairperson of the Audit and Risk Committee of the Board of Directors was born in 1964. He was appointed on 24th March 2023. He has vast experience in Education. He has a bachelor's degree in education. He represents the Professional Organisation in the board of directors.</p>





Malindi Water and Sewerage Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

Board of Directors (continued)

Directors	Details
	<p>Director Shakir Swaleh Mohammed, Member of the Finance and Planning Committee and the Human Resources Committee of the Board of Directors was born in 1985. He was appointed on 24th March 2023. He has vast experience in Information Technology. He has a bachelor's degree in information technology. He represents the Business Community in the board of directors.</p>
	<p>Director Maureen Awuor Obunga, Member Finance and Planning Committee and Human Resource Committee of the Board of Directors was born in 1982. She was appointed on 24th March 2023. She has vast experience in Business Management. She has a master's degree in finance. She represents the Hoteliers in the board of directors.</p>
	<p>Director Hezekiah N. Mwarua was born on 16th January 1983. He is the Chief Officer for Water and Sanitation services at County Government of Kilifi. He holds a Bachelor of Technology in chemical and process engineering from Moi University. He is currently pursuing Master of Business Administration (Management Science option). He has over 10 years of experience in private and public service.</p>

Malindi Water and Sewerage Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

Board of Directors (continued)





Directors	Details
	<p>Director Winnie Wakati Luwali was born on 21st February 1990. She is the Chief Officer for Finance in the County Government of Kilifi. She holds Bachelor of commerce Degree in Finance and Banking from the University of Eastern Africa Baraton and a master’s in business administration from University of Nairobi. She a member of - Kenya Institute of Bankers, Kenya institute of Management, and Institute of Human Resource Management</p>
	<p>Director Hamza Hamisi Hussein, Member of the Human Resource Committee and Finance and Planning Committee of the Board of Directors was born in 1979. He was appointed on 24th March 2023. He has vast experience in Information Technology. He has a Certificate in Computers. He represents the Water Users Association in the board of directors.</p>
	<p>Mr Felix Wanje is the Managing Director. He holds a master’s degree in business administration from Kenya College of Accountancy University. He is a certified Human Resource Professional of Kenya (CHRPK).</p>
	<p>Caroline Gladwell, Advocate of the high Court, Secretary to the Board of Directors. She was appointed in March 2019. She is also a Certified Public Secretary (CS) and a member of the Institute of Arbitrators. She also holds a master’s in business administration, Strategic Option.</p>

Malindi Water and Sewerage Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

4. Key Management Team

Manager	Details
	<p>Mr Felix Wanje is the Managing Director. He holds a master’s degree in business administration from Kenya College of Accountancy University. He is a certified Human Resource Professional of Kenya (CHRPK).</p>
	<p>Mr Seith Baya is the Finance Manager. He holds a master’s degree in finance from Kenyatta University, he is a Certified Public Accountant CPA. (K) and a Certified Public Secretary CPS.</p>
	<p>Mrs Fella Nawiri is the Human Resource Manager. She holds a bachelor’s degree in business administration (HRM) Human Resource and a post graduate diploma in Human Resource</p>
	<p>Mrs Priscillah Oluoch is the Head of Sanitation Services. She holds a Bachelor of Development Studies and Master of Project Planning and Management from the University of Nairobi, Diploma in Water Engineering from the Technical University in Kenya and a Post Graduate Diploma in Land Regularization and Management from Erasmus University, Netherlands.</p>

Malindi Water and Sewerage Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024
Management Team (Continued)

	<p>Mr Kingstone Mulewa is the Internal Audit and Risk Manager. He holds a degree in Business Management (Accounting). He has vast knowledge in accounting, Auditing and banking. He has worked in various capacities in the accounting field. He is a Certified Public Accountant and a registered member of the Institute of Internal auditors.</p>
	<p>Vellasco Ndaro is the Commercial Manager. He holds bachelor's degree in business management and a Master of Arts in Project Planning and Management. He is a registered Member of the Kenya Institute of Management</p>
	<p>Engineer Isaac Chibule is the Technical Manager. He holds a BSc degree in Water Engineering from Kenyatta University and a master's degree in project planning and management at the University of Nairobi. He is also the Technical Services Manager</p>
	<p>Winnie Rehema Menza is the Procurement Manager. She holds a Degree in Purchase and Supply Management from Jomo Kenyatta University of Agriculture and Technology. She is a member of the Kenya Institute of Supplies Management.</p>

Malindi Water and Sewerage Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

5. Chairman's Statement

Company Overview

The principal activity of Malindi Water and Sewerage Company is the Supply of Water and Sanitation Services to the Residents of Malindi and Magarini sub-counties. During the period under review, the Company continued to register remarkable progress in its pursuit of service. Considerable progress was realized in the increase in network coverage for both water and sanitation services. This is attributable to the ongoing Water and Sanitation Development Projects under the World bank and the Water Sector Trust Fund and the County Government in collaboration with Malindi Water and Sewerage Company Limited.

Infrastructure Development

During the period, there was remarkable progress on the infrastructure development that would ensure the service delivery is achieved. The Water Infrastructure Projects that were carried out in the year included:

- ❖ Water Supply Projects being undertaken by the Company under the Water and Sanitation Development Program of the World Bank
- ❖ Pipeline Replacement, Extension and Augmentation of (Primary, secondary, tertiary & service mains), with Bulk meters and consumer connections in Malindi & Gongoni.
- ❖ Pipeline Replacement, Extension and Augmentation (Primary, secondary, tertiary & service mains), Bulk meters and consumer connections in Watamu .
- ❖ Pipeline Replacement, Extension and Augmentation in Low-income areas of Malindi .
- ❖ Gongoni-Marereni Water Pipeline Project Phase I
- ❖ Gongoni-Marereni Water Pipeline Project Phase II
- ❖ Majengo Mapya- Mtakatenini Water Project

The Sanitation Infrastructure Projects undertaken by the Company included:

- ❖ Construction of 10 Ablution blocks in Malindi & Watamu.
- ❖ Construction of 1no. Waste to Value Feecal Sludge Treatment Plant in Malindi Town .
- ❖ Construction of 1no. Feecal Sludge Treatment Plant in Watamu Town.
- ❖ Construction of 1No. Public Sanitation Facility at Timboni in Magarini Subcounty
- ❖ Subsidies for construction of 200 Household toilets in Magarini areas of Sabaki, Mambroi and Gongoni.

Malindi Water and Sewerage Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

Financial Performance

The main sources of funds for operations are the sale of Water and Sanitation Services and incidental miscellaneous charges by the Company. During the year under review, there was an increase in turnover attributable to the increase in coverage of services in the area. This turnover, although it registered an increase, the total turnover experienced a slower growth to the projected growth as a result of closure of major customers in the main industry in Malindi and its environs, mainly the Tourism Industry.

Strategic Plan

During the year, the Company continued reviewing the strategic goals and objectives to meet the ever-changing trading environment. These strategic pillars are Water and Sanitation infrastructure development, financial perspective, Customer perspective, Internal Processes perspective, learning and growth perspective. Strategic Plans were implemented through performance plans with goals, indicators, and targets for each strategic objective. Some key performance indicators achieved during the period included an improvement in water quality supplied, an improvement in water coverage, sustained water supply time and Improved staff ratio. Some other performance indicators that were a challenge to achieve had new strategies implored and monitoring is on-going. The Company embarked on a midterm review of the strategic plan 2019-2024 that captures the year in review.

Partners Support

The Company has continued working closely with development partners in the pursuit of its strategic plan. These include the World Bank, Water Services Trust Fund, the County Government of Kilifi, the Rotary Club of Malindi, Gatsby Africa, Unilever amongst other development partners. This partnership has resulted in the improvement of Water and Sanitation Services in both Malindi and Magarini areas.

Looking forward

The Company is looking forward to a bright future with the Completion of the current water and sanitation projects being implemented. The unrelenting support from the County Government of Kilifi and other development partners are expected to transform the remining strategic and operational challenges experienced to turn around the water and sanitation service delivery in Malindi and its environs in a tremendous way.

We appreciate and look forward to continued support.

God bless you


Samson Mapinga

Chairman Board of Directors

6. Report Of the Managing Director

Overall Performance of the Company and Economic Outlook

There was an improved overall performance in Operational Sustainability, Economic Efficiency and Quality of Service Delivered in the current financial year which was attributable to stabilized bulk water production from the source works.

Economic Efficiency

There was a significant improvement in economic efficiency in the financial year as measured in O+M Cost Coverage. The cost coverage was at 90% up from 83% in the previous year. The Operations and Maintenance Costs Recovery compared the costs incurred to operate the system and maintain its infrastructure to the total revenue generated in the same period. The costs covered include personnel costs, energy costs, chemical costs, maintenance of plant and equipment and some minor investments in infrastructure.

Operational sustainability

There was a significant improvement on operational sustainability as measured in the non-revenue water loss, staff productivity and the metering ratio. During the year, non-revenue water (NRW) loss was at 16 % compared to 21 % in the FY 2022-2023. Total NRW results from a combination of physical losses (leakage) and commercial losses (illegal connections / water theft). The Company is addressing this through a District Metering Area Model.

The number of staff the Company utilized per 1,000 connections remained at between 7 and 8 staff in the period under review. This being one of the cost drivers the Company has endeavoured to maintain it at a satisfactory level given the rural and urban area of operation.

Quality of Service

There was an increase in quality of service as measured in Hours of supply and drinking water quality. The average number of hours per day that the Company was able to provide water was at 22 Hours which is an improvement from 17 hours in FY 2022-2023. The customer satisfaction and willingness to pay is directly connected to this indicator.

Malindi Water and Sewerage Company Limited
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During the year, the Drinking Water was assessed in terms of drinking water quality and compliance with residual chlorine standards. The Drinking water quality measured the number of actual residual chlorine tests carried out against the number planned according to the guideline. Compliance with residual chlorine standards and measured the ratio of the number of samples within norm against the total number of samples taken. The weighted average was at 100% in FY 2023-2024 which is considered good.

Pro Poor

The Company has Pro-Poor Interventions that are specifically designed to address the needs of underserved and economically marginalized areas within the area of operations. These interventions aim to ensure that all citizens, regardless of their economic status, have equitable access to safe and reliable water services. Some of the interventions carried by the Company included subsidizing water connections charges, providing flexible payment plans, offer financial assistance programs, support to the community water projects, tariff structures that are affordable to all and capacity building on technical areas like water kiosk operations.

Funding and Partnerships

During the period under review, the Company partnered with development agencies in order to fast track the implementation of various water distribution projects. The Company partnered with the County Government of Kilifi, Water Sector Trust Fund, The Rotary Club of Malindi, WASHFIN, WSUP and World bank in undertaking various activities in the financial year.

Major Water and Sanitation Projects Undertaken by the Company

During the year, the Company continued with network improvement. Pipeline network intensification continued under the Water and Sanitation Development Project. During the financial year, the Company spent KShs 538,983,659.00 as part of the increase in coverage program.

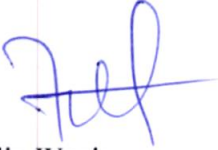
Company's Strategic Plan

The Company embarked on preparation of the Strategic plan which spans for ten years starting from 2024 to 2033. The plan embraces the aspirations of the County Government of Kilifi on its vision for provision of clean water and sanitation services the people of Kilifi County.

Malindi Water and Sewerage Company Limited
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Accolades

The Company was recognised as the best performing water Company in the Coast Region by the regulator.



Felix Wanje
Managing Director

Malindi Water and Sewerage Company Limited

Malindi Water and Sewerage Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

7.Statement Of Performance Against Predetermined Objectives for FY 2023-2024

Malindi Water and Sewerage Company Limited has strategic pillars and objectives within its strategic plan for the FY 2019 to 2024. The strategic pillars are as follows:

1. Strategic Pillar1: Financial perspective
2. Strategic Pillar2: Customer Perspective
3. Strategic Pillar3: Internal (process) perspective
4. Strategic Pillar4: Learning and growth perspective

The Company developed its annual work plan based on the above four pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets for the FY 2023/2024 as indicated in the table below:

Review of Strategic Objective Performance for the year 2023-2024

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Financial perspective	Increase length of pipeline from 1,292km to 1,312km	Increased pipeline	Network intensification within Malindi Township	Pipeline completed
Customer Perspective	Maintain the hours of supply to 22 hrs per day.	Supply water above 22 hours per day	Pumping done for 22 hours per day	Maintained at 22 hours per day
Internal (process) perspective	Fortify and internalize Organizational capacity and process.	Develop 4 No. policies.	Present policies for approval	4 Policies approved
Learning and growth perspective	Capacity build and develop employee skills.	Staff training	Undertake staff training	Staff taken for training in various relevant training institutions

8. Corporate Governance Statement

The board of directors for Malindi Water and Sewerage Company Limited is committed to good corporate governance and has adopted corporate governance practices that are in line with the principles and standards set out under the code of Corporate Governance for state corporations and guidelines from the Water Services Regulator Board.

Board meetings held and the attendance to those meetings by members.

The board of directors' meeting calendar was set at the start of the financial year. The directors committed to attend meetings regularly and participate effectively. During the year, the directors' held 4 subcommittee meetings and 4 full board meetings.

- Company progress review meetings
- Corporate governance training
- Review of strategic plan
- World Water Day
- Annual General Meeting

All the directors attended the meetings as scheduled except for the two directors seconded from the County Government of Kilifi who could not attend some of the meetings due to unavoidable circumstances.

Succession plan

All the non-executive directors are appointed for an initial term of 3 years. The board implements the term limit in line with the articles of Association and the board charter. A set of three board members resign on completion of the three-year term at an Annual General Meeting so to ensure continuity of board members and achieve a succession plan for good governance. The board maintains the required skills matrix in the succession plan. The current directors were appointed on 24th March 2023 for a period of 3 years.

CORPORATE GOVERNANCE STATEMENT (Continued)

Board charter

The board of directors has clear roles, powers, duties and functions as set out in the board manual which includes the board charter. The directors review the board charter every three years.

Appointment and removal of directors

All the non-executive directors in the board represent a stakeholder group as provided in the articles of association and appointment guidelines by the Water Services Regulatory Board. The appointment is conducted by a joint nomination committee constituted by the Water and Irrigation Chief Executive Cabinet Member of the County government of Kilifi. The appointments are ratified during an AGM.

Roles and functions of the Board

The role of the Board of Directors is to determine the Company's policy and strategy, to monitor the attainment of company objectives and ensure that the company meets its obligations to its customers, stakeholders and shareholders. The Board is also responsible for overseeing the company's internal control systems designed to safeguard the company's assets and to ensure the reliability of the financial information provided by the company. The Board has 3 committees namely:

- (a) Finance and Administration Committee
- (b) Audit Committee.
- (c) Human Resource Committee

Induction and training

All the new directors appointed undergo a detailed induction programme in line with the Company's board charter. The aim of the induction is to enable the new director to be effective in their roles. The directors also have a continuous training program that is meant to impact them with current knowledge as is necessary in dispensing their duties as directors. During the financial year, the directors were taken for a corporate governance training at the Kenya School of Government Studies.

CORPORATE GOVERNANCE STATEMENT (Continued)

Board and member performance

The board of directors commissioned an evaluation and performance audit exercise to identify any gaps and potential ways of closing the gaps. The board evaluation is conducted in each financial year by an external consultant. The performance evaluation for the financial year 2023/2024 was completed by November 2024.

Conflict of interest

The Company is committed to the highest standards of integrity, behaviour and ethics in dealing with all its stakeholders. All board members and management and employees are expected to avoid activities and financial interests that could undermine the interest of the Company. Any director with an actual or potential conflict of interest in relation to a matter before the board is required to disclose such interest and to recuse himself or herself from the discussions relating to the matter in question.

Board remuneration

The board has put in place a board remuneration policy in the appointment letters for each director which guides on the benefits and remuneration enjoyed by each member for services rendered during the financial year. The remuneration for the directors is adopted from the state guidelines on payment of directors and the ability to pay by the Company.

Malindi Water and Sewerage Company Limited
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9. Management Discussion and Analysis

i) Number of Consumer Accounts Billed

The number of consumer accounts continued to increase steadily largely attributable to the new pipelines provided by the minor work improvement.

Total Number of Consumer Accounts

Month/ Period	Accounts On Supply			New Connections Paid For	Total A/C Off Supply	Active A/Cs Off Supply	Terminated. Off Supply	Total A/c's
	Actual Reading	Estimat'd Reading	Total Billed					
	(1)	(2)	(3)=(1)+(2)					
AVG FY 2023 2024	22,329	4,983	27,313	160	15,793	12,111	3,681	43,105
AVG FY 2022 2023	22,619	3,986	26,605	184	14,523	11,127	3,397	41,128

ii) Water Production and Billing Efficiency

There was a decrease in water production and an increase in water sales in the financial year under review compared to the previous year. The non-revenue water loss reduced compared to the last financial year as a result of concerted efforts by the management. The Company has partnered with other development Agencies to improve on the loss.

Water Production, Billed and Billing Efficiency

Month/Period	Water Production	Water Sales	Billing Efficiency	Non-Revenue Water
	Total (m ³)	m ³	%	%
2023 2024	6,185,029	5,095,342	84%	16%
2022 2023	6,910,230	5,313,433	79%	21%

Malindi Water and Sewerage Company Limited
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Management Discussion and Analysis (Continued)

iii) Revenue and Collection Efficiency

There was a decrease in total billing and collection efficiency in the current financial year compared to last year. The management has formed a revenue collection unit and is expected to improve the efficiency even more from the arrears.

Revenue Collection and Collection Efficiency

	2023-2024	2022-2023
	KShs	KShs
Total Billing	671,816,179	509,270,214
Total collection	569,687,625	454,401,395
Collection Efficiency	84.40%	90.00%

a) Key Projects ongoing

The Company is implementing the Water and Sanitation Development Project financed by the International Development Association through the Ministry of Water and Irrigation. The main objective of the project is to improve Water Supply and Sanitation Services in Malindi Water Supply area. Detailed projects being implemented are shown in Appendix II on Projects being implemented by the Company.

b) Compliance with statutory and other financial obligations

i) Service Provision Agreement

The Company is licensed to operate by the Water and Sanitation Regulatory Board. Currently, the Company is awaiting the license after having complied to all the requirements for a license.

ii) Tariff Regime

The Company operates a tariff regulated and gazetted by Water and Sanitation Regulatory Board which is gazetted for operation for a specified period. The current tariff was renewed in August 2023 for a period of 3 years.

c) Major risks facing the organisation.

i) Negative working cash-flow

The Company operated on a negative cash flow for the period under review which made it difficult to meet obligations as they fall due. The largest creditor remained CWWDA for the supply of bulk water. The management is currently having a focus on increasing the working cash flow by vigorously

Management Discussion and Analysis (Continued)

increasing revenue collection from defaulting customers and increasing customer base by venturing in areas that were previously under served.

- ii) Closure of major customers in the operation area

The Company relies heavily on major customers who include the Hotels in generating revenues to cross subsidise the lower income customers. With the closure of the major hotels, the revenue streams have reduced forcing the management to review the tariff model in order to sustain the financial operations. The major hotels are now subdividing the units to sell them off to individuals as domestic apartments hence moving from commercial enterprises to domestic tariff band.

d) Material arrears in statutory and other financial obligations

- i) Outstanding staff pension obligation

The Company is lagging behind in remitting staff pension contributions as a result of the period it operated on a non-cost recovery tariff. The Management has entered into an instalment payment plan with the County Pension Fund Managers in order to recover the period it did not remit in full.

- ii) Outstanding supplier payments

The Company is facing difficulties in fully servicing of the arrears in the bulk water supply due to the non-cost recovery tariff in place. The Company has a memorandum of understanding on the arrears as the case is across all the water services providers in Coast Region under the Coast Water Services Board. The bulk water production is shared between Malindi Water and Kilifi Water Companies

e) Review of the economy and the sector

The Company has been faced with an increase in demand for water services and an inadequate supply infrastructure. It is hoped that with the completion of the Water and Sanitation Development Project, there will be a remarkable increase in water and sanitation services to the residents of Malindi and its environs. The cost of production remains so high per unit cubic meter of water supplied by the bulk unit to the Malindi residents. The sector is engaged in alternative sources of power for production.

10. Environmental And Sustainability Reporting

Malindi Water and Sewerage Company exists to transform lives. The Company's mission is to provide sufficient high-quality water and efficient sewerage services in the most cost-effective way that exceed our customers' expectations. To deliver the above, the company has developed four pillars that are driving force in everything we do. Below is a brief highlight of our achievements in each pillar.

(i) Sustainability strategy and profile

The Company has partnered with development agencies to improve on the service delivery in the under-served areas. To increase the financial sustainability, the partnership is meant to increase the water coverage hence increase revenue base in the area of operation.

(ii) Environmental performance

The Company obtained funding from the world-bank under the Water and Sanitation Development Program. The funding is for use in construction of 10 ablution block and 2 decentralized treatment facility in various parts of the service area. The Company is desirous of maintain a clean environment in its operation.

(iii) Employee welfare

Malindi Water and Sewerage Company is an equal opportunity employer. The Company encourages women to apply for vacant positions in all areas and does not discriminate against any group. The Company has a reward and penalty system and complies with the Occupational Safety and Health Act of 2007 in keep safe with the welfare of the staff.

(iv) Market place practices-

The Company regularly conducts customer and stakeholder forums that ensure inclusivity and consultatively in its undertaking. All major projects are undertaken once the stakeholders have been consulted. The Company has an anti-corruption policy in place and does not condone acts of corruption in its trading.

Environmental and Sustainability Reporting (Continued)

The organisation has outlined its efforts to:

a) Responsible competition practice.

The organisation has a policy that ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors. All competitors are given level playground.

b) Responsible supply chain and supplier relations

The organisation has a policy that ensures it maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices. All potential suppliers are given a chance to do business with the Company through a competitive supplier prequalification and tender evaluation.

c) Responsible marketing and advertisement

The organisation has a policy on ethical marketing practices. All marketing activities are put in place so as to attract a large follow up as is possible through placing the advertisements in leading newspaper for print media. There is no misrepresentation of facts in advertisements.

d) Product stewardship

The organisation has put in place and outlined efforts to safeguard consumer rights and interests. All major activities that are undertaken by the Company are first subjected to consultative sessions with the Customers to ascertain that the consumer rights and interest are well taken care of.

(v) Community Engagements-

The Company has a Social Responsibility Policy which ensures it gives back to the society. The Company delivers free water to community establishments like schools and hospitals to ensure there is a positive impact in the society.

Malindi Water and Sewerage Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

11. Report Of the Directors

The Directors submit their report together with the audited financial statements for the year ended 30 June 2024, which show the state of the Malindi Water and Sewerage Company Limited's affairs.

i) Principal activities

The principal activities of the Company are the Supply of Water to the Residents of Malindi and Magarini sub-counties.

ii) Results

The results of the Company for the year ended 30 June 2024, are set out on page 1. Below is summary of the profit of KShs 14,806,556.00 made during the year.

iii) Dividends

The directors do not recommend the payment of dividend in the financial year ended June 30, 2024.

iv) Directors

The members of the Board of Directors who served during the year are shown on page IV. In accordance with Regulation of Malindi Water and Sewerage Company Limited's Articles of Association, three directors retire by rotation and, being eligible offer themselves for re-election.

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

Caroline Gladwell Wangari
Corporate Secretary
Malindi

Caroline W. Mwaura
Advocate, Notary Public &
Commissioner for Oaths
P.O. Box 26513 - 00504, Nairobi

Date:

12. Statement Of Directors' Responsibilities

The Public Finance Management Act, 2012 and the State Corporations Act, require the Directors to prepare financial statements in respect of Malindi Water and Sewerage Company Ltd, which give a true and fair view of the state of affairs of Malindi Water and Sewerage Company Ltd at the end of the financial year ended 30 June 2024 and the operating results of Malindi Water and Sewerage Company for year ended 30 June 2024. The Directors are also required to ensure that Malindi Water and Sewerage Company Limited keeps proper accounting records which disclose with reasonable accuracy the financial position of Malindi Water and Sewerage Company Limited. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of Malindi Water and Sewerage Company Limited's 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 ended on June 30, 2024. 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 accept responsibility for MAWASCO'S financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that MAWASCO'S financial statements give a true and fair view of the state of its transactions during the financial year ended June 30, 2024, and of the financial position as at that date.

Malindi Water and Sewerage Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

The Directors further confirm the completeness of the accounting records maintained for MAWASCO, which have been relied upon in the preparation of its financial statements as well as the adequacy of the systems of internal financial control.

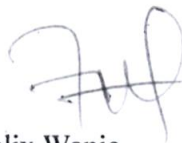
Nothing has come to the attention of the Directors to indicate that MAWASCO will not remain a going concern for at least the next twelve months from the date of this statement. The Directors note that the Company reported a negative working cash flow as a result of the non-cost recovery tariff. A new tariff was put in place in October 2023 with the main creditor agreeing to extend the repayment period.

Approval of the financial statements

The Company's financial statements were approved by the Board on 27 September 2024 and signed on its behalf by:



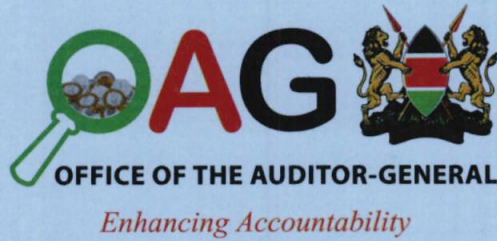
Samson Mapinga
Chairperson of the Board



Felix Wanje
Managing Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MALINDI WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2024

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.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Malindi Water and Sewerage Company Limited set out on pages 1 to 48, which comprise the statement of financial position as at 30 June, 2024, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows, statement of

Report of the Auditor-General on Malindi Water and Sewerage Company Limited for the year ended 30 June, 2024

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Malindi Water and Sewerage Company Limited as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act 17 of 2015, Water Act 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Bulk Water Cost

The statement of profit or loss and other comprehensive income reflects general and operations expenses totalling Kshs.311,873,581. Included in this expenditure is Kshs.192,927,622 incurred on purchase of bulk water. However, the master meter readings to support the bulk water expense were not provided for audit. Further, the bulk water expenditure includes Kshs.171,724,393 in respect of electricity bills paid to Kenya Power and Lighting Company (KPLC) on behalf of Coast Water Works Development Agency (CWWDA). However, the payments have not been supported with an agreement between the two (2) parties.

In the circumstances, the accuracy and completeness of the general and operations expenses totalling Kshs.311,873,581 could not be confirmed.

2. Long Outstanding Trade and Other Receivables Balance

The statement of financial position and Note 24 to the financial statements reflects trade and other receivables balance of Kshs.489,160,107. Included in the balance is Kshs.330,680,177 in respect of debts which had been outstanding for more than six (6) months. In addition, the customers' accounts did not reflect current bills an indication that these accounts are not active. However, evidence of debt recovery measures was provided. In addition, the balance includes long outstanding customer deposit receivables balance of Kshs.8,443,600. Management explained that the deposits were in respect of customer fixed deposits received before the inception of the Company in 2006 and was to be refunded by Coast Water Works Development Agency (CWWDA). However, no refund had been made as at the time of audit.

In the circumstances, the accuracy and recoverability of trade and other receivables balance of Kshs.489,160,107 could not be confirmed.

3. Long Outstanding Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.965,350,866. The balance includes Kshs.544,312,512 in respect of long outstanding bulk water purchases from Coast Water Works Development Agency

(CWWDA) that has not been supported by bulk water purchase agreement or statements from the Board demanding payments. Further, the balance includes employee payables of Kshs.21,643,104 that have not been supported by a payroll indicating employee name, personal number, gross pay and the relevant deductions and net payable. In addition, Note 34 to the financial statements reflects a balance of Kshs.949,769,352 which vary with the balance of Kshs.965,350,866 resulting to unreconciled variance of Kshs.15,581,514.

In the circumstances, the accuracy and completeness of trade payables balance of Kshs.965,350,866 could not be confirmed.

4. Inaccurate Customer Deposits Balance

The statement of financial position reflects customer deposits balance of Kshs.79,613,114. However, the customer deposit bank statement reflects a balance of Kshs.1,298,963 resulting to unreconciled variance of Kshs.78,314,151. Further, Board approvals for use of the funds in financing operating activities was not provided.

In the circumstances, the accuracy, completeness and existence of customer deposits balance of Kshs.79,613,114 could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Malindi 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 qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The summary statement of appropriation reflects final revenue budget and actual on comparable basis of Kshs.1,411,745,425 and Kshs.1,299,856,447 respectively, resulting to a budget under funding of Kshs.111,888,978 representing 8% of the budget. Similarly, the Management spent Kshs.1,217,840 against an actual receipt of Kshs.1,299,856,447 resulting to under absorption of Kshs.82,016,226 representing 6% of the receipts.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of

material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters above, provide the basis for my audit opinion on the accompanying financial statements.

Other Matter

Unresolved Prior Year Audit Matters

The audit report for the previous year highlighted several issues in respect of the financial statements, lawfulness and effectiveness of public resources. Management's report on the progress made in resolving the issues did not indicate the status of these issues as at 30 June, 2024.

Other Information

The Management are responsible for the other information set out on pages iii to xxvii which comprise of Key Entity Information, The Board of Directors, 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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with Laws and Regulations

1.1. Non-Compliance with Affirmative Action on Gender, Ethnicity and Regional Balance

Records provided for audit revealed that the Company had a staff establishment of two hundred and sixteen (216) staff out of which only one percent (1%) of the staff population

Report of the Auditor-General on Malindi Water and Sewerage Company Limited for the year ended 30 June, 2024

were persons living with disability and sixty seven percent (67%) of the staff population come from the dominant ethnic group. Further, one hundred and seventy-seven (177) (83%) of the staff population were male. This is contrary to paragraph B.22 (2) of the Public Service Commission Human Resource Policies and Procedures Manual 2015 which states that the Government will endeavor to have a gender balanced Civil Service by ensuring that not more than 2/3 of positions in its establishment are filled by either gender.

In the circumstances, Management was in breach of Policy Guidelines.

1.2 Non-Remittance of Pension Deductions

The statement of financial position and Note 37 to the financial statements reflects a balance of Kshs.137,170,821 in respect of retirement benefit obligations. Review of records revealed that this balance is owed to LAPTRUST as pension scheme contribution that had not been remitted as at 30 June, 2023. This is contrary to Section 53 A(1) of the Retirement Benefits Act No.3 of 1997 Revised 2016 which states that where an employer, having with the agreement of an employee who is a member of a scheme, made a deduction from the employee's emoluments for remittance to the scheme, fails to remit the deduction within fifteen(15) days of the deduction, the scheme may, after giving such employer not less than seven (7) days' notice, institute proceedings for the recovery of the deductions. In addition, Management has not disclosed the interest and penalties which the unremitted balance had attracted.

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

2. Issues on Effectiveness

2.1. Effectiveness of Non-Revenue Water Management

The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.662,556,547 in respect of water sales. However, the water production during the year under review was 6,185,029 cubic meters against water sales of 5,095,342 cubic meters resulting to non-revenue water loss of 1,089,687 cubic meters or 16% instead of the 12% recommended for the company by WASREB. This was contrary to Table 3.0 (i) of WASREB conditions attached to the tariff approval for non-revenue water under Kenya Gazette dated 11th August 2023 which provided that the acceptable non-revenue water is 12% and any non-revenue water above 12% is unacceptable in respect of the Company.

In the circumstances, the Company's non-revenue measures were not effective during the year under review thereby negatively affecting the Company's profitability.

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 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, 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

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 have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.
- The information given in the Directors' report on pages vi to viii is consistent with the financial statements.
- The auditable part of the Directors' remuneration report on pages 1 to 22 has been properly prepared in accordance with the Companies Act, 2015.

Responsibilities of the Management and the Board of Directors

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

31 December, 2024

Malindi Water and Sewerage Company Limited.
Annual Report and Financial Statements for the year ended June 30, 2024.

14. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2024.

	Note	2023-2024	2022-2023
		KShs	KShs
REVENUE			
Operating Revenue	6	662,556,547	499,912,102
Grants Income	7	87,423,211	108,838,377
Other Income	8	9,259,632	9,358,112
Finance Income	9	-	-
Other gains/(losses)	10	-	-
TOTAL REVENUES		759,239,390	618,108,591
EXPENSES			
Staff Costs	11	271,178,679	218,717,960
General and Operations expenses	12	311,873,581	256,108,584
Board Expenses	13	11,843,213	5,717,039
Maintenance Expenses	14	64,119,913	51,641,544
Depreciation and Amortization expenses	15	85,417,448	79,868,033
Finance Costs	16	-	-
TOTAL OPERATING EXPENSES		744,432,834	612,053,159
PROFIT/(LOSS) BEFORE TAXATION		14,806,556	6,055,432
INCOME TAX EXPENSE/(CREDIT)	17	-	-
PROFIT/(LOSS) AFTER TAXATION		14,806,556	6,055,432
OTHER COMPREHENSIVE INCOME			
Fair value through comprehensive income		-	-
Surplus on revaluation of PPE		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		14,806,556	6,055,432
Earnings per share-basic and diluted	18	-	-
Dividend per share	19	-	-

Malindi Water and Sewerage Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

15. Statement Of Financial Position As at 30 June 2024


	Note	2023 - 2024	2022 - 2023
		Shs	Shs
ASSETS			
Non-Current Assets			
Property, plant and equipment	20	441,395,006	498,643,752
Intangible assets	21	1,866,766	3,759,608
Works In Progress	22	1,653,732,830	1,128,503,049
Total Non-Current Assets		2,096,994,603	1,630,906,410
Current Assets			
Inventories	23	38,850,571	54,250,974
Trade and other receivables	24	489,160,107	380,317,012
Share Capital Receivable	25	2,500,000	5,000,000
Customer Deposit Receivable	26	-	8,443,600
Bank and cash balances	27	114,381,773	12,431,649
Total Current Assets		644,892,452	460,443,235
Total Assets		2,741,887,054	2,091,349,645
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	28	5,000,000	5,000,000
Retained earnings	29	(306,899,560)	(321,706,116)
Project Grant Fund	30	-	-
Capital Reserve Fund	31	39,534,996	39,534,996
Revaluation Reserve	32	447,264,384	447,264,384
Capital and Reserves		184,899,820	170,093,264
Non-Current Liabilities			
WSDP Loan Balance	33	1,370,920,994	830,303,937
Current Liabilities			
Trade and other payables	34	965,350,866	901,675,036
Provision for leave pay	35	-	-
Customer Deposit	36	79,613,114	73,060,214
Retirement benefit obligations	37	137,170,821	109,339,387
Gratuity payable	38	3,931,440	6,877,808
Total Current Liabilities		1,186,066,240	1,090,952,445
TOTAL EQUITY AND LIABILITIES		2,741,887,054	2,091,349,646

The financial statements were approved by the Board on 27 September 2024 and signed on its behalf by:

Felix Wanje
 Managing Director



Seith Kalume
 Head of Finance
 ICPAK M/No:10436



Samson Mkutano
 Chairman of the Board



Malindi Water and Sewerage Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

16. Statement Of Changes in Equity for the Year Ended 30 June 2024

Particulars	Ordinary share capital	Revaluation Reserve	Capital Reserve Fund	Retained earnings	Total
At July 1, 2022	5,000,000	447,264,384	39,534,996	(327,761,548)	164,037,832
Net Loss For The Year	-	-	-	6,055,432	6,055,432
Revaluation Gain	-	-	-	-	-
At June 30, 2023	5,000,000	447,264,384	39,534,996	(321,706,116)	170,093,264
At July 1, 2023	5,000,000	447,264,384	39,534,996	(321,706,116)	170,093,264
Net Loss For The Year	-	-	-	14,806,556	14,806,556
Revaluation Gain	-	-	-	-	-
At June 30, 2024	5,000,000	447,264,384	39,534,996	(306,899,560)	184,899,820

Malindi Water and Sewerage Company Limited.
Annual Report and Financial Statements for the year ended June 30, 2024.

17. Statement Of Cash Flows for The Year Ended 30 June 2024

		2023 - 2024	2022 - 2023
CASH FLOWS FROM OPERATING ACTIVITIES	Note	Shs	Shs
Cash generated from/(used in) operations	39	112,838,706	65,942,378
Net cash generated from/(used in) operating activities		112,838,706	65,942,378
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	20	(26,275,860)	(10,212,924)
Purchase of Intangible assets	21	-	-
Work in Progress	22	(525,229,782)	(538,983,659)
Net cash generated from/(used in) investing activities		(551,505,642)	(549,196,583)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase /(Decrease) in project grant reserve		-	-
WSDP Loan	34	540,617,057	476,270,411
Net cash generated from/(used in) financing activities		540,617,057	476,270,411
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		101,950,121	(6,983,795)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		12,431,651	19,415,446
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	27	114,381,773	12,431,651

Malindi Water and Sewerage Company Limited.
Annual Report and Financial Statements for the year ended June 30, 2024.

18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2024

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	C=a+b	d	e= c-d	f=d/c %
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Operating Revenue	532,076,586	242,368,939	774,445,525	662,556,547	111,888,978	86
Grants Income	87,423,211	-	87,423,211	87,423,211	-	100
Other Income	9,259,632	-	9,259,632	9,259,632	-	100
Loan	540,617,057	-	540,617,057	540,617,057	-	100
Total Revenue	1,169,376,486	242,368,939	1,411,745,425	1,299,856,447	111,888,978	96
Expenses						
Staff Costs	205,445,395	16,700,504	222,145,899	271,178,679	(49,032,780)	122
Board Expenses	8,383,148	3,616,852	12,000,000	11,843,213	156,787	99
General and operations Expenses	256,358,235	138,287,130	394,645,365	311,873,581	82,771,783	79
Maintenance	47,859,808	20,356,446	68,216,254	64,119,913	4,096,341	94
Depreciation and amortisation	-	-	-	85,417,448	(85,417,448)	-
Total Recurrent Expenditure	518,046,586	178,960,931	697,007,517	744,432,834	(47,425,317)	107
Capital Expenditure	651,329,900	60,990,753	712,320,653	473,407,387	238,913,266	66
Total Expenditure	1,169,376,486	239,951,684	1,409,328,170	1,217,840,221	191,487,949	86

19. Notes To the Financial Statements

1. General Information

Malindi Water and Sewerage Company Limited is established by and derives its authority and accountability from the Water Act 2002. The Company is wholly owned by the Kilifi County Government and is domiciled in Kenya. The Company's principal activity is the supply of water and sanitation services to the residents of Malindi and Magarini Sub-Counties. 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 areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the financial statements.

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

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

Malindi Water and Sewerage Company Limited.
Annual Report and Financial Statements for the year ended June 30, 2024.

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 2024.

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

The Directors 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.

Malindi Water and Sewerage Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

Notes to the financial statements (continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

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.

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

Malindi Water and Sewerage Company did not early-adopt any new or amended standards in year under review.

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

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

Notes to the financial statements (continued)

Summary of Accounting Policies

b) In-kind contributions

In-kind contributions are donations that are made to the Company in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment, utilities or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Company includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded but disclosed.

c) Property, plant and equipment

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

d) Depreciation and impairment of property, plant and equipment

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

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

Item	Years
Freehold Land	Nil
Buildings and civil works	25
Plant and machinery	12.5
Motor vehicles, including motorcycles	4
Computers and related equipment	3
Office equipment, furniture and fittings	12.5

Notes to the financial statements (continued)

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

e) Intangible assets

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

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

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) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising from derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Notes to the financial statements (continued)

Summary of Accounting Policies

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

i) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at amortized cost or at fair value through profit or loss or at fair value through other comprehensive income (FVOCI).

j) Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

Notes to the financial statements (continued)

Summary of Accounting Policies

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange. These are measured at fair value through profit or loss (FVTPL).

l) Inventories

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

m) Trade and other receivables

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted.

n) 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

Notes to the financial statements (continued)

Summary of Accounting Policies

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.

o) Deferred tax

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

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

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Notes to the financial statements (continued)

Summary of Accounting Policies

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

p) Borrowing costs

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

q) 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.

r) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or

Notes to the financial statements (continued)

Summary of Accounting Policies

redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

s) 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.

t) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from January 1, 2009. The scheme is administered by County Pension Fund and is funded by contributions from both the company and its employees. 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 15% of Gross Salary per employee per month.

u) Provision for staff leave pay

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

v) Exchange rate differences

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

Notes to the financial statements (continued)

Summary of Accounting Policies

w) Budget information

The original budget for FY 2023-2024 was approved by the Board of Directors on 28th June 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company revised the budget in January 2024 and obtained approvals from the directors.

The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under the section statement of comparison of budget and actual amounts for the period ended 30 June 2024 of these financial statements where applicable.

x) Service concession arrangements

The Company analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Company recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must

Notes to the financial statements (continued)

Summary of Accounting Policies

provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Company also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

y) Comparative figures

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

z) 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, 2024.

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.

The Company made the following estimates and assumptions.

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

Malindi Water and Sewerage Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

Notes to the financial statements (continues)

6. Operating Revenue

	2023-2024	2022-2023
	KShs	KShs
Water Sale	659,717,697	483,153,452
Meter Rent	2,838,850	16,758,650
	662,556,547	499,912,102

7. Grants Income

	2023-2024	2022-2023
	KShs	KShs
Water Sanitation Development Project	3,551,427	-
Mawasco Unilever Transform Project Grant	-	11,042,335
County Government of Kilifi	18,162,242	28,000,000
Rotary Club of Malindi	-	1,138,570
In Kind contribution	2,476,030	2,680,000
Water Sector Trust Fund Grant	63,233,512	65,977,472
	87,423,211	108,838,377

8. Other Income

	2023-2024	2022-2023
	KShs	KShs
Other Miscellaneous receipts		
Illegal Consumption Charge	-	5,000
Illegal Reconnection Charge	5,000	15,000
Meter testing fees	3,000	1,000
New connection charges	4,802,000	5,515,500
New meter charges	2,101,250	1,024,250
Other charges	101,000	743,570
Reconnection fees	1,899,500	1,277,700
Superseding fees	34,000	53,900
Surcharges	-	1,100
Termination fees	54,400	58,000
License fees	-	4,000
Exhauster services	259,482	659,092
	9,259,632	9,358,112

Malindi Water and Sewerage Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

Notes to the financial statements (continued)

9. Finance Income

	2023-2024	2022-2023
	KShs	KShs
Finance Income	-	-
	-	-

10. Other Gains and Losses

	2023-2024	2022-2023
	KShs	KShs
Other Gains	-	-
	-	-

11. Staff Costs

	2023-2024	2022-2023
	KShs	KShs
Gross Salary and Allowances	220,043,391	170,905,107
Casual workers Wages	-	-
Medical insurance schemes	17,850,133	20,158,620
Employer's contributions to social security schemes	3,683,843	1,441,400
Employer's contributions to pension scheme	22,369,210	18,443,261
Provision for Leave pay	3,557,500	3,602,500
Gratuity	1,073,840	4,167,072
Employer's contributions to Affordable Housing Levy	2,600,762	-
	271,178,679	218,717,960

The average number of employees at the end of the year was:

	2023-2024	2022-2023
Management Staff	8	7
Non-management Staff	208	203
Seconded Staff	3	3
	219	213

Malindi Water and Sewerage Company Limited
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12. General and Operations Expenses

	2023-2024	2022-2023
Description	KShs	KShs
Advertising, printing, stationery and photocopying	5,679,566	5,424,918
Auditors' remuneration	700,000	700,000
Bank charges and commissions	3,309,932	320,552
Bulk water costs	192,927,622	132,831,540
Chemicals	2,570,498	972,535
Communication services and supplies	9,106,745	10,684,306
Consultancy fees	-	-
Corporate Social Responsibility	79,000	109,500
Cost of Electricity (Pumping stations, Boreholes)	6,217,199	4,655,216
Electricity and water (Office)	3,461,787	1,738,370
Hospitality supplies and services	6,682,569	8,639,045
Insurance costs	2,477,097	3,387,760
Contracted Professional fees	556,800	1,286,800
Occupational Safety & Health (OSH)	968,790	1,287,700
Office and general supplies and services	31,091,923	26,016,113
Other operating expenses	-	13,655,864
Provision for bad and doubtful debts	-	-
Rent expenses	239,000	408,800
Staff training expenses	741,461	1,509,580
Transportation, travelling and subsistence	14,379,854	15,303,426
Compensation for loss of livelihood	151,421	3,744,812
World Bank Project Operations expense	3,551,427	793,239
4% WASREB Regulatory Levy	26,980,890	20,370,809
Customer Identification Survey	-	2,267,700
	311,873,581	256,108,584

13. Board Expenses

	2023-2024	2022-2023
	KShs	KShs
Chairman's Honoraria	1,000,000	960,000
Sitting allowances	8,000,000	3,580,000
Medical Insurance	-	-
Induction and Training	-	-
Travel and accommodation	935,000	-
Affordable Housing Levy	103,688	-
Other allowances	1,804,525	1,177,039
	11,843,213	5,717,039

Malindi Water and Sewerage Company Limited
Annual Report and Financial Statements for the year ended June 30, 2024

Notes to the financial statements (continued)

14. Maintenance Expenses

	2023-2024	2022-2023
	KShs	KShs
Repairs, Maintenance & Minor Works & Others	64,119,913	51,641,544
	64,119,913	51,641,544

15. Depreciation and Amortization Expenses

	2023-2024	2022-2023
	KShs	KShs
Depreciation of Property, Plant and Equipment	83,524,606	77,975,191
Amortization of Intangible Assets	1,892,842	1,892,842
	85,417,448	79,868,033

16. Finance costs

	2023-2024	2022-2023
	KShs	KShs
Interest expense on loans	-	-
Interest expense on bank overdrafts	-	-
	-	-

17. Income Tax Expense/(Credit)

	2023-2024	2022-2023
	KShs	KShs
Income Tax Expense / Credit	-	-
	-	-

18. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax by the average number of ordinary shares in issue during the year. There were no dilutive or potentially dilutive ordinary share as at the reporting date.

19. Dividend Per Share

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). The Company did not propose for any dividend in the financial year ended June 30, 2024.

Notes to the financial statements (continued)

20. Property, Plant and Equipment

2024	Freehold Land, Buildings and Civil Works	Plant and Machinery	Motor Vehicles, Including Motor cycles	Computers & Related Equipment	Office Equipment, Furniture & Fittings	Total
	Shs	Shs	Shs	Shs	Shs	Shs
Cost						
At 30 June 2023	412,834,232	244,504,325	75,420,735	38,591,584	53,269,082	824,619,958
Additions	-	11,235,494	-	12,942,473	2,097,893	26,275,860
Disposals	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-
Revaluation Reserve	-	-	-	-	-	-
At end of year - 30 June 2024	412,834,232	255,739,819	75,420,735	51,534,057	55,366,975	850,895,818
Depreciation						
At 30 June 2023	43,677,745	128,973,028	68,854,211	51,605,391	32,865,831	325,976,205
Depreciation	10,320,856	31,967,477	18,855,184	15,460,217	6,920,872	83,524,606
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-
At 30 June 2024	53,998,601	160,940,505	87,709,395	67,065,608	39,786,703	409,500,811
Net Book Value at June 30 2024	358,835,631	94,799,313	(12,288,660)	(15,531,551)	15,580,273	441,395,006

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Notes to the financial statements (continued)

Property, Plant and Equipment (Continued)

2023	Freehold Land, Buildings and Civil Works	Plant and Machinery	Motor Vehicles, Including Motor cycles	Computers & Related Equipment	Office Equipment, Furniture & Fittings	Total
	Shs	Shs	Shs	Shs	Shs	Shs
Cost						
At 30 June 2022	412,834,232	240,901,266	75,420,735	36,987,264	48,263,537	814,407,034
Additions	-	3,603,059	-	1,604,320	5,005,545	10,212,924
Disposals	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-
Revaluation Reserve	-	-	-	-	-	-
At end of year - 30 June 2023	412,834,232	244,504,325	75,420,735	38,591,584	53,269,082	824,619,958
Depreciation						
At 30 June 2022	33,356,889	98,409,988	49,999,027	40,027,915	26,207,195	248,001,015
Depreciation	10,320,856	30,563,041	18,855,184	11,577,475	6,658,635	77,975,191
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-
At 30 June 2023	43,677,745	128,973,028	68,854,211	51,605,391	32,865,831	325,976,205
Net Book Value at June 30 2023	369,156,487	115,531,296	6,566,524	(13,013,807)	20,403,251	498,643,752

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Notes to the financial statements (continued)

21. Intangible Assets

	2023-2024	2022-2023
	KShs	KShs
Cost		
At July 1	9,464,211	9,464,211
Additions	-	-
Disposals	-	-
Transfers/adjustments	-	-
At end of year - 30 June	9,464,211	9,464,211
Amortization		
At July 1	5,704,603	3,811,760
Amortization	1,892,842	1,892,842
Disposals		
Impairment loss		
Transfer/adjustments		
At 30 June	7,597,445	5,704,603
Net Book Value at June 30	1,866,766	3,759,608

22. Work In Progress

	2023-2024	2022-2023
	KShs	KShs
Opening Balance	1,128,503,049	589,519,390
Additions in the year	525,229,781	538,983,659
Transfers	-	-
	1,653,732,830	1,128,503,049

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Notes to the financial statements (continued)

23. Inventories

	2023-2024	2022-2023
	Shs	Shs
Appurtenances spares	465,279	375,692
Building Materials	144,455	7,830
Cleaning and Sanitation materials	23,603	16,890
Cold Water Meters Accessories	7,493,303	4,146,879
Computers consumable parts	418,881	34,586
Motor vehicle spare parts	11,938	23,053
Office Equipment	-	2,340
Pipes and fittings	4,135,110	48,959,310
Stationery and general stores	1,225,204	567,893
Tools and Equipment	23,617,556	70,625
Bulk Water	1,015,342	-
Water Analysis Equipment	299,901	45,876
	38,850,571	54,250,974

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Notes to the financial statements (continued)

24. Trade Receivables

	2023-2024	2022-2023
	KShs	KShs
Trade receivables (note 24a)	480,716,507	376,497,795
Deposits and prepayments	-	3,819,217
Customer deposit receivable (note 24b)	8,443,600	-
Gross trade and other receivables	489,160,107	380,317,012
Provision for bad and doubtful receivable	-	-
Net trade and other receivables	489,160,107	380,317,012
Note 24 (a)		
	2023-2024	2022-2023
	KShs	KShs
Gross Trade receivables	480,716,507	376,497,795
Provision for doubtful receivables	-	-
Net Trade Receivables	480,716,507	376,497,795
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	63,610,821	42,524,905
Between 30 and 60 days	48,308,877	63,877,164
Between 60 and 90 days	24,877,614	81,547,278
Between 90 and 120 days	13,239,018	96,132,548
Over 120 days	330,680,177	92,415,900
	480,716,507	376,497,795
Note 24(b)		
The trade and other receivables include KSh 8,443,600 to be refunded to the Company by CWWDA as customer deposits collected before the inception of the Company		

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Notes to the financial statements (continued)

25. Ordinary Share Capital Receivable

	2023-2024	2022-2023
	KShs	KShs
Authorised:		
2,500 ordinary shares of Kshs.1,000 par value each	2,500,000	5,000,000
	2,500,000	5,000,000
Paid:		
2,500 ordinary shares of Kshs.1,000 par value each	2,500,000	5,000,000

26. Customer Deposit Receivable

	2023-2024	2022-2023
	KShs	KShs
Customer Deposit Receivable	-	8,443,600
	-	8,443,600

These are customer Fixed Deposit received before the inception of the Company. This is to be refunded by CWSB. This has been included in the trade receivable note 24 above.

27. Cash and Bank Balances

	2023-2024	2022-2023
	KShs	KShs
Cash at bank	111,021,428	12,307,138
Cheque in hand	1,199,165	-
Cash in hand	163,000	-
Mobile money account	1,998,180	124,511
	114,381,773	12,431,649

Detailed Cash and Bank Balances are shown in note 27 (a)

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Note 27 (a)

NO.	BANK NAME/BRANCH	ACCOUNT NO.	ACCOUNT NAME	2023-2024	2022-2023
a)	Current account			Kshs	Kshs
1	KCB-MALINDI BRANCH	1104220504	MAWASCO REVENUE A/C.	1,625,791	576,823
2	KCB-MALINDI BRANCH	1104220571	MAWASCO OPERATIONS A/C.	-	292,928
3	KCB-MALINDI BRANCH	1104224186	MAWASCO PROJECTS A/C.	2,567	37,830
4	KCB-MALINDI BRANCH	1103447661	MAWASCO SAVINGS A/C.	250,282	97,027
5	KCB-MALINDI BRANCH	1104220377	MAWASCO DEPOSITS A/C.	1,298,963	63,985
6	KCB-MALINDI BRANCH	1224619129	MAWASCO-LOAN REPAYMENT ACCOUNT	94,075	95,387
7	KCB-MALINDI BRANCH	1282151320	MAWASCO TRANSFORM PROJECT ACCOUNT	68,497	70,061
8	KCB-MALINDI BRANCH	1281859966	MAWASCO - LIQUIDITY SUPPORT ACCOUNT	688	1,000
9	KCB-MALINDI BRANCH	1278233288	MAWASCO SMART METERING PROJECT	4,532	113,110
10	KCB-MALINDI BRANCH	1236141776	MAWASCO WORLD BANK PROJECT ACCOUNT	67,424,263	191,306
11	KCB-MALINDI BRANCH	1283864177	MAWASCO RESETTLEMENT ACTION PLAN ACCOUNT	645,289	798,022
12	KCB-MALINDI BRANCH	1284847829	MAWASCO - WSTF GONGONI - MARERENI PHASE 1 WATER PROJECT	23,497,190	8,346,724
13	KCB-MALINDI BRANCH	1319606369	MAWASCO - WSTF GONGONI - MARERENI PHASE 2 WATER PROJECT	10,984,511	-
14	KCB-MALINDI BRANCH	1284847845	MAWASCO - WSTF - MARERENI SANITATION PROJECT	-	103,585
15	KCB-MALINDI BRANCH	1302155865	MAWASCO - WSTF - MAJENGO MAPYA - MTAKATENI PROJECT	224,022	1,000
16	KCB-MALINDI BRANCH	1313001457	MAWASCO TIMBONI PSF PROJECT ACCOUNT	-	-
17	KCB-MALINDI BRANCH	1319606180	MAWASCO - WSTF - LOWER SABAKI /TIMBONI/MJANAHERI WRAS PROJECT	1,252,522	-
18	KCB-MALINDI BRANCH	1319606024	MAWASCO - WSTF - MAGARINI HOUSEHOLDI PROJECT	1,675,625	-
19	KCB-MALINDI BRANCH	1295442515	MAWASCO ESCROW ACCOUNT	306,772	-
20	EQUITY-MALINDI BRANCH	045-0293125064	MAWASCO REVENUE A/C.	629,347	530,794
21	POST BANK	0744130013926	POST BANK REVENUE COLLECTION ACCOUNT	200,920	230,417
22	FAMILY BANK - MALINDI BRANCH	9800017525	MAWASCO - FAMILY BANK COLLECTION ACCOUNT	152,572	506,318
23	CO-OPERATIVE -MALINDI BRANCH	01141654162600	MAWASCO REVENUE COLLECTION ACCOUNT	683,001	250,823
	Sub-total			111,021,428	12,307,138
1	Cheque in hand			1,199,165	-
2	Cash in hand			163,000	-
3	Mobile Money			1,998,180	124,511
	Total			114,381,773	12,431,649

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Notes to the financial statements (continued)

28. Ordinary Share Capital

	2023-2024	2022-2023
	KShs	KShs
Authorised:		
5,000 ordinary shares of Kshs.1,000 par value each	5,000,000	5,000,000
	5,000,000	5,000,000
Paid:		
2,500 ordinary shares of Kshs.1,000 par value each	2,500,000	5,000,000

29. Retained Earnings

	2023-2024	2023-2023
	KShs	KShs
As at the Start of the Year	(321,706,116)	(327,761,548)
Net loss for the Year	14,806,556	6,055,432
Prior Year Adjustment	-	-
As at the End of the Year	(306,899,560)	(321,706,116)

The retained earnings represent amounts available for distribution to the Company's shareholders.

Undistributed retained earnings are utilised to finance the Company's business activities.

30. Project Grant Fund

	2022-2023	2021-2022
	KShs	KShs
Project Reserve Fund	-	-
WSTF UBSUP Project Grant Fund	-	-
	-	-

31. Capital Reserve Fund

	2022-2023	2021-2022
	KShs	KShs
Land, Plant & Equipment	31,861,567	31,861,567
Consumable Stock	7,673,429	7,673,429
	39,534,996	39,534,996

This comprises the value of plant, property and equipment and consumable stock leased to the Company by CWWDA at the inception of the Company.

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Notes to the financial statements (continued)

32. Revaluation Reserve Fund

	2022-2023	2021-2022
	KShs	KShs
Revaluation Reserve	447,264,384	447,264,384
	447,264,384	447,264,384

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

33. Water and Sanitation Development Project Loan

	2023-2024	2022-2023
	KShs	KShs
WSDP Loan Balance at beginning of the year	830,303,937	354,033,526
Borrowings during the year	540,617,057	476,270,411
Repayments during the year	-	-
Balance at the end of the year	1,370,920,994	830,303,937

34. Trade Payables

	2023-2024	2022-2023
	KShs	KShs
Trade payables	928,126,248	901,675,036
Employee payables	21,643,104	-
	949,769,352	901,675,036

The aged trade payables is as below:

	2023-2024	2022-2023
	KShs	KShs
Under one year	143,665,290	135,251,255
1-2 years	186,220,387	180,335,007
2-3 years	276,330,580	270,502,511
Over 3 years	337,491,505	315,586,263
Total	965,350,866	901,675,036

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Notes to the financial statements (continued)

35. Provision for leave allowance

	2023-2024	2022-2023
	KShs	KShs
Balance at the start of the year	-	-
Additional provision	3,557,500	3,602,500
Provision utilised	(3,557,500)	(3,602,500)
Change due to discount and time value for money	-	-
Balance at the end of the year	-	-

36. Customer Deposit Payable

	2023-2024	2022-2023
	KShs	KShs
Balance at the start of the year	73,060,214	66,281,014
Additional Deposit paid during the year	6,564,400	6,941,200
Customer Deposits refunded during the year	(11,500)	(162,000)
Balance at the end of the year	79,613,114	73,060,214

37. Retirement benefit obligations

	2023-2024	2022-2023
	KShs	KShs
Balance at the start of the year	109,339,387	90,376,448
Additional Employer's and Employees' contributions	40,264,565	33,625,948
Benefit utilized during the year	(12,433,131)	(14,663,009)
Balance at the end of the year	137,170,821	109,339,387

The Company operates both defined benefit scheme for staff employed before July 2013 and Defined contribution scheme for staff employed after July 2013. The scheme is administered by County Pension Fund and is funded by contributions from both the company and its employees. 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.

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Notes to the financial statements (continued)

38. Gratuity payable

	2023-2024	2022-2023
	KShs	KShs
Balance at the start of the year	6,877,808	-
Prior year Gratuity	-	6,142,203
Gratuity provided during the year	1,073,840	1,430,117
Gratuity paid during the year	(4,020,209)	(694,512)
Balance at the end of the year	3,931,439	6,877,808

39. Notes to The Statement of Cash Flows

	2023-2024	2022-2023
	KShs	KShs
Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	14,806,556	6,055,432
Amortization	1,892,842	1,892,842
Depreciation	83,524,606	77,975,191
Operating profit/(loss) before working capital changes	100,224,004	85,923,465
(Increase)/decrease in inventories	15,400,403	(3,620,072)
(Increase)/decrease in trade and other receivables	(108,843,095)	(58,648,297)
Increase/(decrease) in trade and other payables	63,675,830	9,667,335
Increase/(decrease) in Retirement Benefits Obligations	27,831,434	18,962,939
Increase/(decrease) in Gratuity payable	(2,946,369)	6,877,808
Increase/(decrease) in profits from Retained Earnings	-	-
Increase/(decrease) in Staff leave provision	-	-
Increase/(decrease) in Customer Deposit Receivable	8,443,600	-
Increase/(decrease) in Customer Deposit Payable	6,552,900	6,779,200
Increase/(decrease) in Share Capital Receivable	2,500,000	-
Cash generated from/(used in) operations	112,838,706	65,942,378

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Notes to the financial statements (continued)

40. Related Party Disclosures

County Government of Kilifi

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

Transactions with related parties

	2023-2024	2022-2023
	KShs	KShs
a) Sales to related parties		
Water sales to Govt. agencies	16,234,717	12,405,700
Total	16,234,717	12,405,700
b) Purchases from related parties		
Cost of water	192,927,622	158,830,100
Total	192,927,622	158,830,100
c) Grants from the Government		
Grants from National Government	81,395,754	106,158,377
Donations in kind	2,476,030	2,680,000
Total	83,871,784	108,838,377
d) Key management compensation		
Directors' emoluments	11,843,213	5,717,039
Compensation to key management	2,818,150	2,388,450
Total	18,161,363	8,105,489

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Notes to the financial statements (continued)

41. Bulk Water Charges

The Company buys bulk water from the Coast Water Works Development Agency at a cost of KSh 34 per one cubic meter of water. The invoice billed to the Company is paid partly to Kenya Power and lighting Company directly for the cost of power for production while the balance is paid to the Coast Water Works Development Agency for operations.

	2023-2024
	KShs
Bulk Water bills	192,927,622
Less	
Total Payments made to KPLC	157,600,000
Total payments made to CWWDA	3,700,000
Total payments made	161,300,000
Balance c/f	31,627,622

42. Capital Commitments

There were no capital commitments at the year- end for which no provision has been made in these financial statements.

43. Contingent Assets and Liabilities

In the opinion of the directors, no provision is required in these financial statements as the liabilities are not expected to crystallize.

44. Financial Risk Management

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

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Notes to the financial statements (continued)

(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:

i) Credit Risk (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The 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.

Notes to the financial statements (continued)

(iii) Market risk

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

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

The company's Department in charge of risk management is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The Company has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

(iii) Market risk (Continued)

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

b) Foreign currency sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Notes to the financial statements (continued)

c) Interest rate risk

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

i) Management of interest rate risk

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

ii) Sensitivity analysis

The Company analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

iii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- i)** Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- ii)** Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii)** Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

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Notes to the financial statements (continued)

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

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:

Capital and Reserves		2023-2024	2022-2023
		KShs	KShs
Ordinary share capital	28	5,000,000	5,000,000
Retained earnings	29	(306,899,560)	(321,706,116)
Capital Reserve Fund	30	39,534,996	39,534,996
Revaluation Reserve	31	447,264,384	447,264,384
Capital and Reserves		184,899,820	170,093,264

45. Incorporation

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

46. Events After the Reporting Period

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

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20. Appendices 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.

1. REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

Refer No.	Observation / Issue from Auditor	Management Comments	Resolved / Not yet Resolved	Time Frame
1	<p>Omitted Expenditure on Electricity Bills</p> <p>The statement of profit or loss and other comprehensive income total operating expenses of Kshs. 612,053,159. Available information indicates that during the year under review, payments in respects in respect of electricity bills amounting to kshs. 136,855,149 was made to Kenya power and lighting company (KPLC) on behalf of coast water works development agency (CWWDA). However, this expenditure has not been disclosed in the statement of profit or loss and other comprehensive income.</p> <p>In the circumstances, the accuracy and completeness of the total operating expenses of kshs. 612,053,159. Could not be confirmed.</p>	<p>The management shall disclose this arrangement in the financial statement under cost of water costs. The arrangement was made for convenience for the Company however the CWWDA remains the responsible entity for the payment of the KPLC account. This shall start in the financial year 2023/24</p>	Resolved	30/06/2024

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Refer No.	Observation / Issue from Auditor	Management Comments	Resolved / Not yet Resolved	Time Frame
2	<p>Unexplained variance in trade and other payables balance</p> <p>The statement of financial position and as disclosed in Note 34 to the financial statements reflects trade and other payables balance of kshs. 901,675,036 which includes kshs. 510,377,647 owed to coast water works development agency (CWWDA). However, review of records maintained by the agency indicates that the amount owed by the company to the agency is kshs. 506,375,138 resulting in unexplained variance of Kshs. 4,002,509.</p> <p>In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs. 901,675,036 could not be confirmed.</p>	<p>The non reconciling items in the two accounts were resolved after the balance sheet date and after the audit for the financial year 2022/23. The joint account statement is now attached to show the two entities agreeing on the outstanding balances. This is now being done monthly. The joint reconciliation is available for audit</p>	Resolved	30/06/2024
3	<p>Understatement of inventories balance</p> <p>The statement of financial position and note 23 to the financial statements reflects inventories balance of kshs. 54,250,974. However, inventory of water and chlorine have not been disclosed.</p> <p>In the circumstances, the accuracy and completeness of inventories balance of Kshs. 54,250,974 could not be confirmed.</p>	<p>The inventory of water and chlorine used was not estimated at the time of closure of the accounts as the system had not been designed to calculate the amount of water in the unsold. Starting from the financial year 2023/24 the system is able to calculate the amount, and the item is considered resolved. The item has fully been disclosed in the financial accounts ending June 30, 2024 This is disclosed in the Note 23 to the financial statement</p>	Resolved	30/06/2024

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Refer No.	Observation / Issue from Auditor	Management Comments	Resolved / Not yet Resolved	Time Frame
4	<p>Long outstanding trade and other receivables balance</p> <p>The statement of financial position and Note 24 to the financial statements reflects a balance of Kshs. 380, 317,011 in respect of trade and other receivables. Included in this balance is kshs. 217, 121,994 in respect of debts which had been outstanding for more than six (6) months. In addition, these customers' accounts did not reflect current bills that they may have been disconnected or suspended and no evidence of debt recovery measures in place was provided for audit review.</p> <p>In the circumstances, the accuracy and recoverability of trade and other receivables balance of Kshs. 380,317,011 could not be confirmed.</p>	<p>The Company has entered in a contract with a debt collection Company to assist in the recovery of the long-time debt. The contract is available for audit and is effective in the financial year 2023/24</p>	On-going	30/06/2024
5	<p>Long outstanding customer deposit receivables</p> <p>The statement of financial position and note 26 to the financial statements reflects customer deposit receivables balance of kshs. 8,443,600 which were long outstanding management indicated that the deposits were in respect of customer fixed deposits received before the inception of the company in 2006 and was to be refunded by Coast Water Works Development Agency (CWWDA). However, no refund had been as at the time of audit in January, 2024.</p> <p>In the circumstances, the accuracy and recoverability of the customer deposit receivable balance of Kshs. 8,443,600 could not be confirmed.</p>	<p>The Management acknowledges the long outstanding receivable and is pursuing it with now the Coast Water Works Development Agency from the then Coast Water Services Board. Where recoverability is not possible the Management shall institute write off procedure. The management has forwarded this to the board of directors for advice.</p>	Not yet resolved	

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Refer No.	Observation / Issue from Auditor	Management Comments	Resolved / Not yet Resolved	Time Frame
6	<p>Emphasis of matter</p> <p>Budgetary control and performance The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of kshs. 1,175,466,185 and kshs. 618,108.591 Respectively, resulting in an under-funding of kshs. 557,357,593 or 47% of the budget. Similarly, the company expended kshs. 1,161.249,742 Against an approved budget of kshs. 1,175,466,184, resulting in an under-expenditure of kshs. 14,216,442 or 1% of the budget.</p> <p>The underfunding of the approved budget affected the planned activities and may have impacted negatively on service delivery to the public.</p> <p>My opinion is not modified in respect of this matter.</p>	<p>The agrees that there was underfunding of the revenue budget. The budget amount in reference is the Water and Sanitation Development Fund that was coming from the National Treasury to the County Government of Kilifi and channelled to the Company as an implementing agent. The delay was beyond the Company's control and as a result the financier agreed to extend the closure period for the program in order to deliver the services to the public. The project extension letter is available for audit</p>	Resolved	30/06/2024
	<p>Other matter</p> <p>Unresolved prior year matters</p> <p>Various prior year audit issues remained unresolved as at 30 June 2023, although management has indicated that the issues have either been resolved or partially resolved, no evidence or explanation was provided to support that assertion.</p>	<p>The management resolved to present the evidence and explanation separately during the audit for each current year so that it can be jointly agreed on as evidence on the Progress. The progress on the audit issues raised in the financial year ended June 30, 2023 is attached as appendix 1 to this report</p>	Resolved	30/06/2024

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2. REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for conclusion

Refer No.	Observation / Issue from Auditor	Management Comments	Resolved / Not yet Resolved	Time Frame
<u>1</u>	<p>Non- Compliance with Law on Ethic and Gender Composition</p> <p>Review of payroll records revealed that the company had a staff establishment of two hundred and thirteen (213) employees out of which one hundred and fifty –six (156) or 73% were from the dominant ethnic community in the county contrary to section7 (2) of the National cohesion and integration Act 2008 which states that no public establishment shall have more than one third off its staff from the same ethnic community. In addition, one hundred and seventy-six (176) or 83% employees were male while thirty-seven (37) OR 17% were female. This was contrary to paragraph B.22(2) of the Public Service Commission Human Resource Policies and Procedures Manual,2015 which states that the Government will endeavour to have a gender balanced Civil Service by ensuring that not more than two-thirds of positions in its establishment are filled by either gender.</p> <p>In the circumstances, the management was in breach of the law.</p>	<p>The management acknowledges this breach and is in the process of progressively addressing it. The staff were inherited from the then National Water Corporation that were largely no conforming to this ratio. The other staff members have also been inherited from various water schemes that have also been no conforming to this ratio. The Management believes that this shall be cleared with time. The last employment by the Company was deliberately reserved for the improving this ratio.</p>	<p>Not yet resolved</p>	<p>30/06/2024</p>

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Refer No.	Observation / Issue from Auditor	Management Comments	Resolved / Not yet Resolved	Time Frame
<u>2</u>	<p>Excessive Expenditure on Board Meetings The statement of profit or loss and other comprehensive income and Note 13 to the financial statements reflects Board expenses amounting to Kshs. 5,717,039. Review of records revealed that the Board held ten (10) full Board meetings during the year under review contrary to Office of the President Circular reference number OP/CAB.9/1A dated 11 March, 2020 paragraph A (2) which states that the Board meetings shall be restricted to a minimum of four (4) and capped at a maximum of six (6) for each financial year resulting to excess expenditure of Kshs. 2,286,816. In the circumstances, Management was in breach of the law.</p>	<p>The board of directors held the meetings in accordance with the board calendar in the financial year and in accordance with the Water Services Regulatory Authority guidelines which sets out the budget guidelines of the board of directors given the size of the Company. All the meetings held were necessary in order to discharge their mandate effectively. The management shall in future manage the meetings on both guidelines. The guideline for the budget is available for audit.</p>	Resolved	30/06/2024
<u>3</u>	<p>Non – Remittance of PENSIONS Deductions The statement of financial position and Note 37 to the financial statements reflects a balance of Kshs. 109,339,387 in respect of retirement benefit obligations. Review of records revealed that this balance is owed to; LAPTRUST as pension scheme contribution that had not been remitted as at 30 June, 2023. In addition, management has not disclosed the interest and penalties which the unremitted balance had attracted. In the circumstances, management was in breach of the law.</p>	<p>The circumstances that caused the non-remittance of the pension is cashflow problems that affected the organisation for the 4 - 5 period before June 30, 2023. The management however is in the process of reversing this by having a revised tariff effective August 2023 for a period of 3 years. The management is in negotiation with the the fund managers to waive the interest and penalties as the circumstances were beyond the management control. The condition set has been to clear the principal amounts before application for the waiver. The cash flow position is available for audit.</p>	Not yet resolved	30/06/2024

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Refer No.	Observation / Issue from Auditor	Management Comments	Resolved / Not yet Resolved	Time Frame
<u>4</u>	<p>Long Outstanding Trade and Other Payables Balance</p> <p>The statement of financial position and Note 34 to the financial statements reflects trade and other payables balance of Kshs. 901,675,036 which includes a balance of trade payables that have been outstanding for over ninety (90) days of Kshs. 861,528,814.</p> <p>In the circumstances, the non-settlement of trade and other payables as they fall due may result in payment of fines and penalties.</p>	<p>The management acknowledges the amount outstanding for more than 90 days. Efforts are being made to reduce the outstanding payables over a period of time. As at the end of the financial year 2023/34 the outstanding amount reduced as is reported in item note 33 of the outstanding payables.</p>	Not yet resolved	30/06/2024
<u>5</u>	<p>Use of expired Water Sales Tariff</p> <p>The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflects operating revenue totalling Kshs. 499,912,102 which includes revenues from water sales totalling kshs. 438,153,452. Review of records revealed that the water tariff used in billing was approved through Gazette Notice No. 7535 Dated 4 August, 2017 for the period 2017/2018 to 2019/2020 financial year and was not renewed by WASREB as required.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>The tariff expired in August 2020. An extension of the tariff was granted for a period of 6 months. Currently the Company has a valid tariff up to June 2026. Copy of the tariff extension request letter and the current tariff in use are available for audit.</p>	Resolved	


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3. REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis conclusion

Refer No.	Observation / Issue from Auditor	Management Comments	Resolved / Not yet Resolved	Time Frame
1	<p>Officer serving in Acting Capacity beyond Stipulated Period</p> <p>Records provided for audit review indicated that the Deputy Technical Manger was appointed as the Acting Manger Sanitation with effect from 1 June 2021. It was stated in the letter that the acting appointed would be for six (6) months without allowances. However, at the time of audit in January 2024, or nineteen (19) months after the appointment, the officer was still serving in the same capacity. No explanation was provided for the acting appointment beyond the stipulated period and for failure to confirm the officer or substantively fill the position.</p> <p>In the circumstances, the existence of effective human resource policy guidelines to manage and deploy staff could not be confirmed.</p>	<p>The Deputy Technical Manager was attached to the newly created department then on an acting capacity as the unit was new to the Company and being rolled out in phases. The Company has since then rolled out the depart in full and confirmed the manager. In future new departments shall be seconded until when it is appropriate for designating staff. The appointment letter is available for audit.</p>	Resolved	30/06/2024

Name
 Managing Director

Signature 
 Date.....

Malindi Water and Sewerage Company Limited
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21. Appendix II: Projects Implemented by the Company

Projects

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. Majengo Mapya Mtakatani	-	WSTF/CGK	1 YEAR	19,979,400	YES	YES
2. Timboni Public Sanitation Facility	-	WSTF/ CGK	1 YEAR	5,856,328	YES	YES
3. Gongoni Marereni Phase I	-	WSTF/ CGK	1 YEAR	94,460,575.22	YES	YES
4. Gongoni Marereni Phase II	-	WSTF/ CGK	1 YEAR	53,766,063.34	YES	YES
5. Water and Sanitation Development Project	IDA CREDIT NO 60300	International Development Agency	5 Years from 2017 to 2022	US \$ 14.2 Million	YES	YES

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Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Majengo Mapya Mtakatani	19,979,400.00	12,115,269.50	80%	19,979,400.00	19,979,400.00	Donor funds
2	Timboni PSF	5,856,328.00	4,260,094.00	85%	5,856,328.00	5,856,328.00	Donor funds
3	Gongoni Marereni Ph I	94,460,575.22	10,745,589.32	20%	94,460,575.22	94,460,575.22	Donor funds
4	Gongoni Marereni Ph II	53,766,063.34	28,276,155.20	50%	53,766,063.34	53,766,063.34	Donor funds
5	Water and Sanitation Development Project	1,871,257,268.77	1,598,335,722.00	80%	1,871,257,268.77	1,871,257,268.77	World Bank Loan
		2,045,319,635.33	1,653,732,830.02		2,045,319,635.33	2,045,319,635.33	

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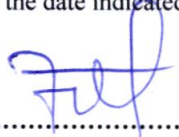
22. Appendix III- Inter-Entity Confirmation Letter

Malindi Water and Sewerage Company Limited
P. O. Box 410-80200
Malindi

Malindi Water and Sewerage Company wishes to confirm the amounts disbursed as at 30th June 2024 as indicated in the table below.

Confirmation of amounts received by Malindi Water and Sewerage Company Limited as at 30 th June 2024							
Reference Number	Date Disbursed	Amounts Disbursed by County Government of Kilifi as at 30th June 2024				Amount Received (KShs) as at 30 th June 2024 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
IDA-6030 KE	30.04.2024	-	160,410,414.50	-	160,410,414.50	160,410,414.50	-
IDA-6030 KE	08.06.2024	-	380,206,642.30	-	380,206,642.30	380,206,642.30	-
Total			540,617,056.80		540,617,056.80	540,617,056.80	-

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary entity: 

Name **Sign** **Date**

23. Appendix IV: Reporting of Climate Relevant Expenditures

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

The Company did not undertake any climate relevant project in the financial year under review.

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24. Appendix V: Reporting Disaster Management Expenditure

Date: 30 June 2024

Entity: Malindi Water and Sewerage Company Limited

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

The Company did not incur expenses related to disaster management. A Disaster Management Policy was developed in house in the financial year.

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25. Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor 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	Loan	
Water Services Trust fund	30.04.2024	Development	63,233,511.75	63,233,511.75	-	-	-	-	63,233,511.75