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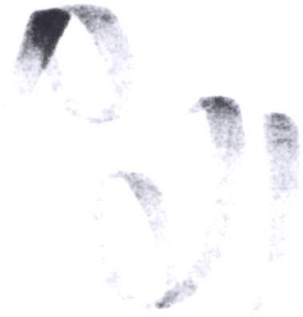
THE AUDITOR-GENERAL

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MALINDI WATER AND SEWERAGE
COMPANY LIMITED

FOR THE YEAR ENDED
30 JUNE, 2025





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MALINDI WATER AND SEWERAGE COMPANY LIMITED

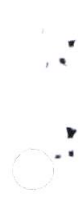
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

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



Malindi Water and Sewerage Company Limited
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1. Acronyms and Glossary of Terms

A. Acronyms

AGM	Annual General Meeting
CEO	Chief Executive Officer
CWWDA	Coast Water Works Development Agency
DG	Director General
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICPAK	Institute of Certified Public Accountants of Kenya
ICS	Institute of Certified Secretaries
IFRS	International Financial Reporting Standards
MAWASCO	Malindi Water and Sewerage Company Limited
MD	Managing Director
NT	National Treasury
PFM	Public Financial Management
PFMA	Public Finance Management Act.
PSASB	Public Sector Accounting Standards Board
WASREB	Water Services Regulatory Board

B. Definition of Key Terms

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

Comparative Year: Means the prior period.

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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

A premier water and sanitation service provider.

Mission

To reliably provide sufficient quality water and sanitation services in a sustainable manner that meets our customers' expectations.

Core Values

a) Customer Focus:

The company is committed to meeting the customer's needs and expectations.

b) Innovativeness:

The company encourages creativity and ingenuity within our mandate in order to enhance the company's operational efficiency.

c) Integrity:

MAWASCO is a company that promotes honesty, transparency, accountability, professional ethics and zero tolerance to corruption.

d) Teamwork:

MAWASCO promotes a collaborative approach to working. The company believes that the best works are not the results of individuals but of teams working together with a common purpose.

e) Excellence:

MAWASCO is committed to ensuring timely delivery of high-quality services that exceed the expectations of all stakeholders.

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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.	George Mwangiri	-Member	Appointed on 24 th March 2024
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.

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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

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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>


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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 bachelor's degree in commerce (Finance Option). 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>





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Board of Directors (continued)

Directors	Details
	<p>Director George Katama Mwangiri is the County Chief Officer in charge of Water Services and Natural Resources management in the County Government of Kilifi with over 25 years of working experience spanning across operational and management in key areas in both the private and public sectors. He holds a bachelors’ degree in Business Administration (TUM), qualifying Degree in Shipping and Maritime (ICS) UK, a MICS (UK) A seasoned policy maker trained at Strathmore University courtesy of USAID.</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>






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4. Key Management Team

Manager	Details
	<p>Mr Felix Wanje is the Managing Director. He holds a master’s degree in business administration from Kenyc 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 business administration 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>

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Management Team (Continued)

	<p>Mr. Kingstone Mulewa is the Internal Audit and Risk Manager. He holds a Masters’ degree in Business Administration (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>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>
	<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>

5. Chairman's Statement

Overview of the Company

I am pleased to present the annual report for Malindi Water and Sewerage Company Limited for the financial year ending on June 30, 2025. This year has been a year of both success and challenges for the Company. We have experienced increased success in service delivery while facing financial challenges in terms of high costs of operations. Despite the hurdles we have encountered, our company has shown resilience and determination in navigating through the ups and downs of the year. This report provides an overview of the key successes consolidated, Challenges faced and the strategies we have in place to overcome the challenges and capitalize on the successes for the future growth of our organization

Key Activities Undertaken in The Year

During the year, our company focused on expanding our customer base and improving our services. We successfully implemented customer retention strategies and launched several promotional campaigns to attract new customers. We also invested in upgrading our infrastructure to ensure the reliability and efficiency of our services. The Water Infrastructure Projects that were carried out in the year included:

- ❖ Progress on the Pipeline Replacement, Extension and Augmentation of (Primary, secondary, tertiary & service mains), with Bulk meters and consumer connections in Malindi & Gongoni.
- ❖ Completion of the Pipeline Replacement, Extension and Augmentation (Primary, secondary, tertiary & service mains), Bulk meters and consumer connections in Watamu .
- ❖ Completion of the Pipeline Replacement, Extension and Augmentation in Low-income areas of Malindi
- ❖ Completion of the Gongoni-Marereni Water Pipeline Project Phase I
- ❖ Completion of the Gongoni-Marereni Water Pipeline Project Phase II
- ❖ Completion of the Majengo Mapya- Mtakatani Water Project

The Sanitation Infrastructure Projects undertaken by the Company included:

- ❖ Completion of 9 Ablution blocks in Malindi & Watamu.
- ❖ Progress on construction of 1no. Waste to Value Faecal Sludge Treatment Plant in Malindi Town.

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- ❖ Progress on construction of 1no. Faecal Sludge Treatment Plant in Watamu Town.
- ❖ Commissioning of 1No. Public Sanitation Facility at Timboni in Magarini Subcounty

Challenges Faced

Despite our successes, we have faced several challenges during the year. While we have achieved significant milestones and growth in various areas, it is essential to acknowledge the hurdles that have accompanied these successes.

The increased costs of operation, particularly in relation to energy and maintenance, have emerged as a critical concern. Over the past year, we have witnessed a substantial rise in energy prices. This surge in energy costs has not only impacted our operational budgets but has also necessitated strategic adjustments in our operations. Similarly, maintenance expenses have similarly escalated, driven by the aging infrastructure and the need for more frequent repairs and upgrades to ensure operational efficiency. As our equipment and facilities have aged, the frequency of maintenance interventions has increased, leading to higher costs that were not initially forecasted in our budget.

Way Forward

To navigate these challenges, we are implementing several strategic initiatives. This includes adopting preventive maintenance programs to reduce long-term expenses and taking proactive measures aimed at mitigating the financial impact of our operational challenges.

In conclusion, I would like to express my gratitude to our dedicated team, loyal customers, and supportive shareholders for their unwavering trust and confidence in our company. With your support, we are well-positioned to overcome the challenges that lie ahead and achieve even greater success in the future.

Sincerely,



Samson Mapinga

Chairman Board of Directors

6. Report Of the Managing Director

Company Performance and Economic Outlook

Overall Performance

The Company registered improved performance in the current financial year across operational sustainability, economic efficiency, and quality of service delivery, largely driven by stable bulk water production from the source works.

Economic Efficiency

The revenue collection-to-billing ratio improved from 85% in the previous financial year to 93% in the year under review. However, the full benefits of this improvement were offset by an increase in the cost of production during the same period.

Operational Sustainability

During the year Malindi Water and Sewerage Company Limited experienced a sharp rise in Non-Revenue Water from an average of 16% to 42% following commissioning of new bulk off-take lines; investigations indicate the increase was driven by hydraulic changes (pressure spikes and altered flow causing new or worsened leaks), construction damage to mains and service connections, potential unrecorded contractor/commissioning use and illegal connections, and metering/billing data anomalies. Immediate actions were taken to verify and secure bulk meters, perform a production vs billed comparison, visually inspect the off-take corridor, temporarily throttle/isolate the new off-take to test its impact, and establish a temporary DMA to capture night flows. Short- and medium-term measures being implemented included targeted acoustic leak detection and repairs, pressure management (PRVs and zone control), bulk and sample customer meter audits and replacements, and rollout of permanent DMAs with telemetry and AMI, while long-term recovery relies on an integrated NRW program, prioritized asset renewal, stricter contractor handover requirements and KPI-driven monitoring to restore NRW to acceptable levels within the coming months. This is the priority in the financial year 2025-2026. Staff productivity remained efficient at 7–8 staff per 1,000 connections, reflecting balanced performance across both rural and urban operations.

The Company maintained an efficient staffing ratio of 7–8 employees per 1,000 connections, supporting consistent service delivery across its rural and urban networks.

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Quality of Service

Service quality improved notably, reflected in longer supply hours and enhanced drinking water standards. The Company supplied water for an average of 22 hours per day, up from 17 hours in FY 2023/2024, which positively influenced customer satisfaction and willingness to pay. Drinking water quality also achieved full compliance with residual chlorine standards, recording a weighted average of 100% in FY 2024/2025, thereby demonstrating adherence to established safety and quality benchmarks.

Pro-Poor Initiatives

The Company strengthened pro-poor interventions to extend equitable access to underserved and economically marginalized communities. The Company continued to implement targeted pro-poor interventions aimed at improving equitable access to safe and reliable water services. These measures encompassed the subsidization of water connection charges, the introduction of flexible payment arrangements and financial assistance programs, as well as support for community-led water projects. Furthermore, the Company maintained affordable tariff structures designed to safeguard accessibility for low-income households and undertook capacity-building initiatives in technical areas, including the management and operation of water kiosks.

Funding and Partnerships

To accelerate water distribution initiatives, the Company collaborated with key stakeholders during the review period, including the County Government of Kilifi, Water Sector Trust Fund, WSUP, and the World Bank. These partnerships supported the implementation of several critical programs.

Major Water and Sanitation Projects

The Company continued to expand its network under the Water and Sanitation Development Project, investing KShs 262,238,080 in pipeline intensification during the financial year. These expenditures, recorded as works in progress, are intended to increase coverage and service delivery.

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Strategic Planning

The Company has a comprehensive 10-year Strategic Plan (2024–2033) to guide its long-term growth and service delivery. Rooted in the County Government of Kilifi’s development priorities, the Plan sets a clear roadmap to expand equitable access to safe water and improved sanitation while strengthening institutional capacity and financial sustainability.

The Plan is structured around strategic pillars which are Infrastructure and Expansion, Asset Management & NRW Reduction, Commercial and Financial Performance, Institutional Capacity and Governance, and Customer and Community Engagement. Each with multi-year programs, phased milestones and resource estimates.

Recognition

The Company was honored by the regulator as the best performing water service provider in the Coast Region.



Felix Wanje
Managing Director

Malindi Water and Sewerage Company Limited

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7. Statement Of Performance Against Predetermined Objectives for FY 2024/2025

Malindi Water and Sewerage Company Limited has 5 strategic pillars within the current Strategic Plan for the FY 2024 to 2029. These are as follows:

1. Strategic Pillar 1: Development and management of water and sanitation infrastructure
2. Strategic Pillar 2: Financial and Commercial Sustainability
3. Strategic Pillar 3: Efficient and Effective billing and revenue collection
4. Strategic Pillar 4: Compliance and Proper Governance
5. Strategic Pillar 5: Effective Enterprises and Risk Management

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 2024/2025 as indicated in the table below:

Review of Strategic Objectives for the financial year 2024-2025

1. Development and Management of Water and Sanitation Infrastructure				
Strategic Pillar	Objective	Key Performance Indicator	Activities	Achievements
Development and management of water and sanitation infrastructure	Sustainable access and management of water and sanitation services for all	Increase in pipeline network	Network intensification in Malindi and Watamu township	150 km of new pipeline network completed
		Number of pipelines completed under WSDP	Construction and commissioning of new pipelines	10 pipelines completed
2. Financial and Commercial Sustainability				
Strategic Pillar	Objective	Key Performance Indicator	Activities	Achievements
Financial and commercial sustainability	Ensure financial sustainability of the company	Increased billing and revenue collection	Implemented new billing strategies and customer outreach	Revenue increased by 25% from previous year
		Actual revenue collection efficiency	Increased actual meter reading and revenue collection	Achieved a revenue collection efficiency of 93%

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3. Efficient and Effective Billing and Revenue Collection				
Strategic Pillar	Objective	Key Performance Indicator	Activities	Achievements
Efficient and effective billing and revenue collection	Increase revenue collection through improved billing	Accurate and effective billing and collection	Automation of spot billing processes	Automated spot billing implemented for 100% of customers
		Percentage of billing accuracy	Regular audits and accuracy checks	Billing accuracy improved to 98%
4. Compliance and Proper Corporate Governance				
Strategic Pillar	Objective	Key Performance Indicator	Activities	Achievements
Compliance and proper corporate governance	Strengthen legal, compliance, and corporate governance of the organization	Compliance with corporate governance indicators	Conducted training on corporate governance for board members	100% of Directors trained on Corporate Governance
		Improvement in compliance audit outcomes	Regular compliance assessments	95% compliance achieved in the latest audit
5. Effective Enterprise and Risk Management				
Strategic Pillar	Objective	Key Performance Indicator	Activities	Achievements
Effective enterprise and risk management	Strengthen the enterprise and risk management of the organization	Updated Risk Register report	Identification and review of the risk register	Risk register updated for 2024-2025 with 30 new risks identified
		Timeliness of risk assessments	Conducted bi-annual risk reviews	All scheduled risk assessments completed on time

8. Corporate Governance Statement

The Board of Directors is committed to upholding the highest standards of corporate governance in line with applicable laws, regulations, and best practices. The following statement outlines the governance structures, policies, and practices adopted by the Board to ensure effective oversight, accountability, and ethical leadership.

i. Appointment of Board Members

The appointment and removal of Board members follow a transparent and merit-based process as stipulated in the organization's constitution and relevant statutory provisions. Directors are nominated based on professional qualifications, leadership experience, integrity, and commitment to the organization's values. The process is overseen by a Nominations and Governance Committee and is subject to approval by the shareholders or appointing authorities, where applicable.

The Board maintains an optimal size that facilitates effective deliberation and decision-making. It embraces diversity in terms of gender, age, experience, ethnicity, and professional background, promoting inclusivity and a range of perspectives. A Board Charter exists and defines the structure, authority, responsibilities, and processes of the Board in fulfilling its fiduciary duties. During the year, there was no appointment of board members

ii. Roles and Functions of the Board

The primary role of the Board is to provide strategic direction, approve policies, oversee risk management, ensure compliance, and safeguard stakeholders' interests. The Board is also responsible for the appointment and performance evaluation of the Managing Director, monitoring financial performance, and ensuring the sustainability of the organization. It delegates specific responsibilities to Board committees while retaining overall accountability.

iii. Induction, Training, and Development

All new Board members undergo a formal induction program to familiarize them with the organization's operations, governance framework, and strategic priorities. Continuous development is encouraged through periodic training and exposure to emerging trends in governance, risk management, sectoral developments, and leadership.

iv. Board and Members' Performance

The performance of the Board and its individual members is evaluated annually through a structured self-assessment and peer review process. The evaluation considers participation, effectiveness, leadership, decision-making, and adherence to governance principles. Outcomes of the evaluation inform areas for improvement and training needs.

v. Number of Board Meetings Held and Attendance

During the year under review, the Board held six meetings. Attendance by each member was recorded and reviewed to ensure commitment and accountability. The attendance register is maintained by the Company Secretary and forms part of the annual reporting.

vi. Succession Plan

A formal succession plan is in place to ensure continuity of leadership both at the Board and executive management levels. The plan identifies critical roles, potential successors, and development strategies to build leadership capacity internally and externally.

vii. Conflict of Interest Policy

The Board has adopted a Conflict-of-Interest Policy that requires members to declare any actual or potential conflicts in a timely manner. All declarations are documented in the conflict of interest register and members recuse themselves from decisions where conflicts arise.

viii. Board Remuneration

Remuneration of Board members is determined transparently based on the scope of responsibilities, time commitment, and prevailing market practices. The remuneration structure includes sitting allowances, honoraria, and reimbursable expenses, and is reviewed periodically with shareholder or regulator input as required.

ix. Ethics and Conduct

The Board adheres to a Code of Ethics and Conduct that promotes integrity, accountability, transparency, and respect. All members are expected to act in the best interest of the organization and uphold the principles of good governance at all times.

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x. Governance Audit

An independent governance audit is conducted every two years, in line with regulatory requirements and governance best practices. The audit assesses the Board's effectiveness, compliance with governance frameworks, and areas for improvement. Action plans are developed to address any gaps identified.

xi. Communication Policy

The organization has a Communication Policy that ensures accurate, timely, and transparent communication with stakeholders. The policy promotes open channels of communication while protecting confidential and proprietary information. Board-approved communication protocols guide both internal and external engagements.

xii. Terms of Reference of Committees

The Board has established committees with clear Terms of Reference that outline their mandate, composition, frequency of meetings, and reporting obligations. Key committees include the Audit & Risk Committee, Finance & Strategy Committee, Human Resource & Governance Committee, and Technical Committee. These committees support the Board in fulfilling its responsibilities effectively.

xiii. Policy on Related Party Transactions

The organization has in place a Related Party Transactions Policy that governs transactions between the organization and its directors, employees, or their affiliates. All such transactions are disclosed, reviewed for fairness, and approved in accordance with legal and ethical standards to ensure there is no conflict of interest or undue influence.

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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. This positive trend in account growth reflects our ongoing efforts to enhance our service offerings and infrastructure.

The implementation of new pipelines has played a crucial role in expanding our reach and capacity to serve more customers effectively. These pipelines, which were developed through targeted minor work improvements, have enabled us to enhance the delivery of our services, ensuring that we can meet the growing demand from consumers in our service area.

Total Number of Consumer Accounts

Month/ Period	Accounts On Supply			New Con- nections Paid For	Total A/C Off Supply	Active A/Cs Off Supply	Term- inated. Off Supply	Total A/c's
	Actual Reading	Estimat'd Reading	Total Billed					
	(1)	(2)	(3)=(1)+(2)					
AVG FY 2024 2025	23,570	4,297	27,868	250	17,877	13,971	3,906	45,745
AVG FY 2023 2024	22,329	4,983	27,313	160	15,793	12,111	3,681	43,105

ii) Water Production and Billing Efficiency

There was an increase 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 increased compared to the last financial year as a result of the commissioning of the new lines that brought challenges in the distribution network. 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	%	%
2024 2025	9,539,936	5,562,157	58%	48%
2023 2024	6,185,029	5,095,342	84%	16%

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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

	2024 -2025	2023-2024
	KShs	KShs
Total Billing	770,925,140	671,816,179
Total Collection	711,161,482	569,687,625
Collection Efficiency	93%	85%

iv) 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.

v) Compliance with statutory and other financial obligations

The Company is licensed to operate by the Water and Sanitation Regulatory Board and is currently awaiting the issuance of its license after fulfilling all necessary requirements. Additionally, the Company operates under a tariff regime that is regulated and gazetted by the Water and Sanitation Regulatory Board for a specified duration. The current tariff was renewed in August 2023 and will remain in effect for a period of three years.

vi) Major risks facing the organisation.

The current financial analysis indicates that our current liabilities exceed our current assets, which raises concerns regarding our ability to meet short-term obligations and may impact the company's going concern status. In response to this situation, management is actively implementing strategies to reverse this trend through

Malindi Water and Sewerage Company Limited
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- a) **Cost Management:** We are conducting a thorough review of our operational expenses to identify areas for cost reduction and improve efficiency without compromising service quality.
- b) **Revenue Enhancement:** We are exploring opportunities to increase revenue through strategies such as optimizing our tariff structure, enhancing customer engagement, and expanding our service offerings.
- c) **Debt Restructuring:** We are negotiating with creditors to restructure existing debt, seeking more favorable terms that will alleviate immediate financial pressure.
- d) **Investment in Infrastructure:** We are prioritizing investments in infrastructure improvements that will enhance our service delivery and increase customer satisfaction, ultimately driving higher revenues.
- e) **Regular Financial Monitoring:** We are implementing a robust financial monitoring system to track our current position closely and make informed decisions that will support financial stability.

vii) **Material arrears in statutory and other financial obligations**

The Company is currently behind on remitting staff pension contributions due to a period of operating under a non-cost recovery tariff. To address this issue, management has established an instalment payment plan with the County Pension Fund Managers to recover the contributions not fully remitted. Additionally, the Company is struggling to fully settle outstanding payments for bulk water supply, also a consequence of the non-cost recovery tariff. A memorandum of understanding has been put in place regarding these arrears, as this situation is common among all water service providers in the Coast Region under the Coast Water Services Board, with bulk water production being shared between Malindi Water and Kilifi Water Companies.

viii) **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 management together with other stakeholders are 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.

11. Report Of the Directors

The Directors submit their report together with the audited financial statements for the year ended 30 June 2025, 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 2025 are set out on page 1 showing a loss of KShs 154,017,567 made during the year.

iii) Dividends

The directors do not recommend the payment of dividend in the financial year ended June 30, 2025.

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



Company Secretary

Date:

12. Statement Of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2025. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Company;
- (v) selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

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

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Statement Of Directors' Responsibilities (Continued)

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2025, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The company financial statements were approved by the Board on 26th August 2025 and signed on its behalf by:



Samson Mapinga

Chairperson of the Board



Felix Wanje

Managing Director

REPUBLIC OF KENYA

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NAIROBI

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Malindi Water and Sewerage Company Limited set out on pages 1 to 48, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and

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

In my opinion, 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, 2025 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, 2015, Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects cash outflows in respect of non-current assets which vary with recorded movement in the statement of financial position as indicated in the table below:

Non-Current Asset	Movement in the Statement of Financial Position (Kshs)	Cash Outflows in the Statement of Cash Flows (Kshs)	Unexplained Variance (Kshs)
Property, Plant and Equipment	50,591,957	18,271,963	3,196,838
Intangible Assets	3,323,142	6,519,980	2,671,162
Work in Progress	126,133,252	262,238,030	136,104,778

The variances were not explained.

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

2. Unsupported Expenditure on Domestic Travel and Subsistence Allowances

The statement of profit or loss and other comprehensive income reflects general and operations expenses totalling Kshs.494,596,947. The expenditure includes an amount on transportation, travelling and subsistence totalling Kshs.17,558,596 whose supporting schedule do not indicate name of employee, personal number, job group, number of days, rate, location of travel and work or activity undertaken.

In the circumstances, the accuracy and completeness of transportation, travelling and subsistence expenses totalling Kshs.17,558,596 could not be confirmed.

3. Non-Current Assets

The statement of financial position reflects total non-current assets balance of Kshs.2,277,014,478. Review of the documentation provided revealed the following:

3.1 Unsupported Property, Plant and Equipment

Included in the balance of non-current assets is Kshs.491,986,963 in respect of property, plant and equipment as disclosed in Note 20 to the financial statements. However, balance includes additions to plant and machinery, computers and related equipment and office equipment, furniture and fittings worth Kshs.18,271,963 which was not supported by detailed schedule indicating asset description, model, function, quantity, cost and ownership documentation.

3.2 Unsupported Work in Progress Balance

Included in the balance of non-current assets is Kshs.1,779,837,608 in respect of work in progress balance as disclosed in Note 22 to the financial statements. However, the detailed project implementation status reports indicating project name, description, tender number, contract value, commencement and completion dates, opening cumulative payments, additions for the year and outstanding works were not provided for audit. Further, the work in progress balance of Kshs.136,133,252 capitalized during the year under review was not supported by a journal voucher and relevant accounting documentation.

In the circumstances, the accuracy and completeness of the total non-current assets balance of Kshs.2,277,014,478 could not be confirmed.

4. Unsupported Bank and Cash Balances

The statement of financial position reflects bank and cash balances of Kshs.4,851,859 as disclosed in Note 26 to the financial statements. However, the balance excludes transactions in eight (8) bank accounts whose supporting cashbooks, bank reconciliations, or certificates of bank balances were not provided for audit. In addition, Management requested the closure of two (2) donor-funded project accounts whose banks statements before and after closure were not provided for audit.

In the circumstances, the accuracy, completeness and existence of bank and cash balance of Kshs.4,851,859 could not be confirmed.

5. Unsupported Customer Deposit Payable

The statement of financial position reflects customer deposit payable balance of Kshs.89,147,364. However, the deposits bank account had a balance of Kshs.1,767,283 resulting to unexplained variance of Kshs.87,380,081.

In the circumstances, the accuracy, completeness and existence of customer deposit payable balance of Kshs.89,147,364 could not be confirmed.

The audit was conducted in accordance with International Standards of 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.

Material Uncertainty Relating to Going Concern

The statement of profit or loss and other comprehensive income reflects a deficit of Kshs.154,017,567, leading to an increase in the accumulated deficit Kshs.306,899,559 to Kshs.460,917,127. This condition indicates existence of a material uncertainty, which may cast significant doubt on the Company's ability to continue as a going concern. The material uncertainty relating to going concern and the measures put in place to improve the Company's financial performance have not been disclosed in the financial statements. Further, the Company reflects current assets balance of Kshs.557,183,374 against total current liabilities balance of Kshs.1,219,044,605 resulting to negative working capital of Kshs.661,861,231.

In the circumstances, the Company's going concern is dependent on the County Executive and creditors good will.

My opinion is not modified in respect of this matter.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,064,985,395 and Kshs.1,042,414,651 respectively resulting to an under-funding of Kshs.22,570,744 or 2% of the budget. Similarly, the Company spent a balance of Kshs.1,270,112,191 against actual receipts of Kshs.1,042,414,651 resulting to over-expenditure of Kshs.227,697,540 or 22%.

The over-expenditure may increase the unpaid obligations by the Company affecting its subsequent year's budget since unpaid obligations form a first charge in the following year.

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 effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Audit Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public

Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Company in 2024/2025 revealed that the following nine (9) issues remained unresolved:

No	Audit Matter
1	Unsupported bulk water cost
2	Long outstanding trade and other receivables balance
3	Long outstanding trade and other payables balance
4	Inaccurate customer deposits balance
5	Non-compliance with affirmative action on gender, ethnicity and regional balance
6	Non-remittance of pension deductions
7	Effectiveness of non-revenue water management

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the 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 One Third Basic Salary Pay Rule

Review of the Company's payroll records revealed that sixty-eight (68) employees had salary deductions in excess of two thirds of their basic pay in breach of Section 19(3) of the Employment Act, 2007 which prohibits such excessive deductions.

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

2. Non-Conformity with Law on Recruitment of Persons with Disabilities

Review of the staff complement revealed that out of a total of two hundred and twenty-four (224) current staff members only two (2) (0.8%) were classified as persons with disability. This is in breach of Section 21(2)(a) of the Persons with Disabilities Act, 2025 which states that every employer shall where an employer has at least twenty (20) employees, reserve at least five per cent (5%) direct employment opportunities for persons with disabilities to secure employment.

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

3. Irregular Payments of Bulk Water Costs

The statement of profit or loss and other comprehensive income reflects general and operations expenses totalling Kshs.494,596,947 as disclosed in Note 12 to the financial statements. Included in the expenditure is Kshs.322,149,048 incurred on bulk water purchase from Coast Water Works Development Authority (CWWDA). However, the bulk water purchase payments were utilized in payment of electricity costs directly to Kenya Power and Lighting Company (KPLC) collection bank account maintained in a local bank but which is in the name of CWWDA. No contract was provided to confirm the agreement between CWWDA and MAWASCO for the later to pay CWWDA's utility cost directly KPLC in lieu of bulk water billings from CWWDA.

This was contrary to Section 37 (2) of the Companies Act, 2015 which states that a document is validly executed by a Company if it is signed on behalf of the Company by two (2) authorized signatories or by a Director of the Company in the presence of a witness who attests the signature.

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

4. Unaccounted for Water (Non-Revenue Water)

The statement of profit or loss and other comprehensive income reflects operating revenue amount of Kshs.760,870,082 in respect to water sales. Water production records revealed that the Company produced 9,514,236 cubic meters of water during the year under review out of which 5,562,157 cubic meters (or about 59%) was sold to consumers. The variance of 3,952,079 cubic meters of water (or 42%) represents non-revenue water, which is above the acceptable threshold of 12% set by the Water Service Regulatory Board (WASREB).

In the circumstances, Management was in breach of WASREB guidelines.

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

Basis for Conclusion

1. Partial Bank Collections Integration

The Company was using M@jics, a revenue collection system to manage revenue collections from water. The revenue collection system's service contract provides for integration of all local banks maintaining the collection accounts. Review of the system revealed that two (2) of the bank accounts used for revenue collection were not integrated.

In the circumstances, the revenue collection system and internal controls are not working as intended.

2. Non-Enforcement of Approved Tariff for New Water Connections Deposit

The statement of profit or loss and other comprehensive income reflects other income totalling Kshs.10,055,058 as disclosed in Note 8 to the financial statements. This income includes Kshs.5,789,700 which was in respect of new water connection charges. However, review of the new contracts report revealed that some customers paid deposit amounts that were different from the amount prescribed in the approved tariff structure and in most cases, the deposit amount was zero (0), indicating that no deposit was charged. This is an indication that M@jics does not automatically apply the approved tariff structure during billing, reconcile billings against payments or is configured to allow overrides of such controls.

In the circumstances, the effectiveness of M@jics billing internal controls could not be confirmed.

3. Active Customer Account Billed for Less than twelve (12) Months

Review of billing data from the M@jics system revealed that seven thousand six hundred forty-one (7,641) active customers were billed for less than twelve (12) months during the financial year under review, as detailed below:

S/No	Account Status	Number of Billed Months during the year	Number of Accounts
1	Active Connection	1	402
2	Active Connection	2	287
3	Active Connection	3	352
4	Active Connection	4	394
5	Active Connection	5	484
6	Active Connection	6	441
7	Active Connection	7	625
8	Active Connection	8	581
9	Active Connection	9	779
10	Active Connection	10	1194
11	Active Connection	11	2102
	Total		7641

In the circumstances, the effectiveness of water billing and revenue collection procedures and internal controls could not be confirmed.

4. Customer Account Records without Meter Numbers

Review of the customer account data revealed that one hundred and forty-two (142) active customer accounts did not have meter numbers assigned, out of which fifty-three (53) accounts were billed at Kshs.454,780. In addition, there was a delay in updating the meter information in the customer's account after a disconnection or replacement of a meter resulting to failure to bill.

The delay was attributed to gaps in system configuration and workflow integration between the Work-Order and Billing modules. Meter replacement or reactivation details were not consistently updated in M@jics, either due to delayed data entry by field staff or lack of automated synchronization between operational and billing functions.

In the circumstances, the effectiveness of internal controls on work-order and billing processes could not be confirmed.

5. Omission of Critical Components from MAWASCO ICT Policy

Review of the Company's existing ICT Policy document revealed that although the

policy addresses general ICT governance issues, it omits several critical sections necessary for safeguarding information systems and ensuring business continuity. Specifically, the current ICT policy does not include:

- i) A Password Security Policy to define complexity, expiry, sharing, and authentication controls.
- ii) A Backup and Data Retention Policy to guide the frequency, storage, and testing of data backups.
- iii) A Change Management Policy to govern system modifications, updates, and approvals.
- iv) A Network Security Policy to define access controls, firewall management, and monitoring procedures.

In the circumstances, the effectiveness of controls on the Company's ICT policy and governance framework could not be confirmed.

6. Lack of Backup Site

Review of records revealed that M@jics is hosted on a single primary server without a backup hosting site or disaster recovery environment. In the event of hardware failure, cyberattack, or data corruption at the main site, there is no alternative server to restore system functionality or access critical billing data. This situation poses a significant risk to business continuity, as the Company could experience extended downtime and potential data loss.

In the circumstances, the effectiveness of the Company's controls on financial and operational data could not be confirmed.

7. Lack of an Internet Backup Link

The Company currently relies on a single internet link provided by one (1) Internet Service Provider (ISP) for all its operations, including the M@jics system and email. The Company has no redundant or backup internet connection to maintain connectivity in the event of a service disruption or ISP outage. Consequently, any downtime experienced by the provider leads to total loss of system access, interruption of billing, receipting and communication services, and delayed operations across departments.

In the circumstances, the effectiveness of controls on internet outages or ISP could not be confirmed.

8. Inadequate Physical and Environmental Controls Over the Data Center

The Company's data center lacks several critical physical and environmental control measures. Access to the data center is only controlled through a manual key lock, with no biometric or electronic access control to identify and log entry. There is no visitor access register for guests or maintenance personnel who access the facility. Additionally, the data center floor is not raised, exposing equipment to dust and potential water damage. The room space is small and congested, limiting proper airflow and cooling. It was further observed that the data center lacks fire suppression

systems and portable fire extinguishers, increasing the risk of fire-related data and equipment loss. These weaknesses collectively expose Company's critical ICT infrastructure and data to environmental and security threats.

The Inadequate physical and environmental controls increase the risk of unauthorized access, damage, or loss of critical ICT infrastructure and data.

Further, the absence of proper access control, environmental safeguards, and fire protection measures exposes the data center to potential system downtime, data loss, and interruption of essential company operations.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by 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. In my opinion:

- i. Information given in the directors' report on pages xi to xxviii is consistent with the financial statements; and
- ii. The auditable part of the directors' remuneration report on page 22 has been properly prepared in accordance with the Companies Act, 2015.

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

Responsibilities of the Management and Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Company's, ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 December, 2025

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

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

	Note	2024-2025	2023-2024
		KShs	KShs
REVENUE			
Operating Revenue	6	760,870,082	662,556,547
Grants Income	7	58,139,511	87,423,211
Other Income	8	10,055,058	9,259,632
Finance Income	9	-	-
Other gains/(losses)	10	-	-
TOTAL REVENUES		829,064,651	759,239,390
EXPENSES			
Staff Costs	11	294,726,180	271,178,679
General and Operations expenses	12	494,596,947	311,873,581
Board Expenses	13	11,642,594	11,843,213
Maintenance Expenses	14	75,106,400	64,119,913
Depreciation and Amortization expenses	15	107,010,097	85,417,448
Finance Costs	16	-	-
TOTAL OPERATING EXPENSES		983,082,218	744,432,833
PROFIT/(LOSS) BEFORE TAXATION		(154,017,567)	14,806,557
INCOME TAX EXPENSE/(CREDIT)	17	-	-
PROFIT/(LOSS) AFTER TAXATION		(154,017,567)	14,806,557
Earnings per share-basic and diluted	18	-	-
Dividend per share	19	-	-
OTHER COMPREHENSIVE INCOME			
Fair value through comprehensive income		-	-
Surplus on revaluation of PPE		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(154,017,567)	14,806,557

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15. Statement Of Financial Position As at 30 June 2025

	Note	2024-2025	2023-2024
		Shs	Shs
ASSETS			
Non-Current Assets			
Property, plant and equipment	20	491,986,963	441,395,006
Intangible assets	21	5,189,908	1,866,766
Works In Progress	22	1,779,837,608	1,653,732,830
Total Non-Current Assets		2,277,014,478	2,096,994,602
Current Assets			
Inventories	23	32,238,274	38,850,571
Trade and other receivables	24	517,593,241	489,160,107
Share Capital Receivable	25	2,500,000	2,500,000
Bank and cash balances	26	4,851,859	114,381,773
Total Current Assets		557,183,374	644,892,452
Total Assets		2,834,197,852	2,741,887,054
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	27	5,000,000	5,000,000
Retained earnings	28	(460,917,127)	(306,899,559)
Capital Reserve Fund	29	39,534,996	39,534,996
Revaluation Reserve	30	447,264,384	447,264,384
Capital and Reserves		30,882,253	184,899,821
Non-Current Liabilities			
WSDP Loan Balance	31	1,584,270,994	1,370,920,994
Current Liabilities			
Trade and other payables	32	942,366,475	965,350,866
Provision for leave pay	33	-	-
Customer Deposit Payable	34	89,147,364	79,613,114
Retirement benefit obligations	35	183,009,216	137,170,821
Gratuity payable	36	4,521,550	3,931,439
Total Current Liabilities		1,219,044,605	1,186,066,240
TOTAL EQUITY AND LIABILITIES		2,834,197,852	2,741,887,055

The financial statements were approved by the Board on 26th August 2025 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

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

Particulars	Ordinary share capital	Revaluation Reserve	Capital Reserve Fund	Retained earnings	Total
At July 1, 2023	5,000,000	447,264,384	39,534,996	(321,706,116)	170,093,264
Net Loss for The Year	-	-	-	14,806,557	14,806,557
Revaluation Gain	-	-	-	-	-
At June 30, 2024	5,000,000	447,264,384	39,534,996	(306,899,559)	184,899,821
At July 1, 2024	5,000,000	447,264,384	39,534,996	(306,899,559)	184,899,821
Net Loss for The Year	-	-	-	(154,017,567)	(154,017,567)
Revaluation Gain	-	-	-	-	-
At June 30, 2025	5,000,000	447,264,384	39,534,996	(460,917,127)	30,882,253

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

		2024-2025	2023-2024
CASH FLOWS FROM OPERATING ACTIVITIES	Note	Shs	Shs
Cash generated from/(used in) operations	37	(35,849,942)	112,838,707
Net cash generated from/(used in) operating activities		(37,617,225)	112,838,707
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	20	(18,271,963)	(26,275,860)
Purchase of Intangible assets	21	(6,519,980)	-
Work in Progress	22	(262,238,030)	(525,229,781)
Net cash generated from/(used in) investing activities		(287,029,973)	(551,505,641)
CASH FLOWS FROM FINANCING ACTIVITIES			
WSDP Loan	31	213,350,000	540,617,057
Net cash generated from/(used in) financing activities		213,350,000	540,617,057
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(109,529,914)	101,950,123
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		114,381,774	12,431,651
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	26	4,851,859	114,381,774

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a Kshs	b Kshs	C=a+b Kshs	d Kshs	e=c-d Kshs	f=d/c %
Revenue						
Operating Revenue	764,985,395	-	764,985,395	760,870,082	4,115,313	99
Grants Income	60,000,000	-	60,000,000	58,139,511	1,860,490	97
Other Income	10,000,000	-	10,000,000	10,055,058	(55,058)	101
Loan	230,000,000	-	230,000,000	213,350,000	16,650,000	93
Total Revenue	1,064,985,395	-	1,064,985,395	1,042,414,651	22,570,745	97
Expenses						
Staff Costs	238,019,095	20,000,000	258,019,095	294,726,180	(36,707,085)	114
Board Expenses	12,000,000	-	12,000,000	11,642,594	357,406	97
General and Operations Expenses	393,129,787	(20,000,000)	373,129,787	494,596,947	(121,467,160)	133
Maintenance	73,620,841	-	73,620,841	75,106,400	(1,485,559)	102
Loan Repayment	26,120,753	-	26,120,753	-	26,120,753	-
Depreciation and Amortization	110,000,000	-	110,000,000	107,010,097	2,989,903	97
Total Recurrent Expenditure	852,890,476	-	852,890,476	983,082,218	(130,191,742)	115
Capital Expenditure						
Minor works	28,200,000	-	28,200,000	18,271,963	9,928,037	65
WSDP Project	213,350,000	-	213,350,000	235,118,613	(21,768,613)	107
WSTF Projects	22,706,530	-	22,706,530	33,639,397	(10,932,868)	148
Total Capital Expenditure	264,256,530	-	264,256,530	287,029,973	(22,773,444)	107
Total Expenditure	1,117,147,006	-	1,117,147,006	1,270,112,191	(152,965,186)	114

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.

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

Notes to the financial statements (continued)

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

i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2025.

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: <ul style="list-style-type: none"> i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date. ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs. 	1 January 2026

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

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

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

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

iii. Early adoption of standards

Malindi Water and Sewerage Company Limited 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.

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) Biological Assets

The entity recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the entity, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

j) 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

Summary of Accounting Policies

k) 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.

l) 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).

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

n) 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.

o) 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

Summary of Accounting Policies

tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

p) Deferred tax

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

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

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off

Summary of Accounting Policies

current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

q) 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.

r) 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.

s) Borrowings

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

Summary of Accounting Policies

t) 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.

u) 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.

v) 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.

w) 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.

x) Budget information

The original budget for FY 2024-2025 was approved by the Board of Directors on 25th June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final

Summary of Accounting Policies

budget. Accordingly, the Company revised the budget in January 2025 and obtained approvals from 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 Comprehensive income has been presented under section statement of comparison of budget and actual amounts for the period ended 30th June 2025 of these financial statements where applicable.

y) Service concession arrangements

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

Summary of Accounting Policies

z) Comparative figures

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

aa) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

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
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Notes to the financial statements (continues)

6. Operating Revenue

	2024-2025	2023-2024
	KShs	KShs
Water Sale	760,870,082	659,717,697
Meter Rent	-	2,838,850
	760,870,082	662,556,547

7. Grants Income

	2024-2025	2023-2024
	KShs	KShs
Water Sanitation Devepment Project	33,245,081	3,551,427
County Government of Kilifi	-	18,162,242
In Kind contribution	2,187,900	2,476,030
Water Sector Trust Fund Grant	22,706,530	63,233,512
	58,139,511	87,423,211

8. Other Income

	2024-2025	2023-2024
	KShs	KShs
Other Miscellaneous receipts		
Illegal Consumption Charge	-	-
Illegal Reconnection Charge	-	5,000
Meter testing fees	10,000	3,000
New connection charges	5,789,700	4,802,000
New meter charges	2,671,150	2,101,250
Other charges	-	101,000
Reconnection fees	1,525,000	1,899,500
Superseding fees	17,600	34,000
Surcharges	-	-
Termination fees	35,608	54,400
License fees	6,000	-
Exhauster services	-	259,482
	10,055,058	9,259,632

Malindi Water and Sewerage Company Limited
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Notes to the financial statements (continued)

9. Finance Income

	2024-2025	2023-2024
	KShs	KShs
Finance Income	-	-
	-	-

10. Other Gains and Losses

	2024-2025	2023-2024
	KShs	KShs
Other Gains	-	-
	-	-

11. Staff Costs

	2024-2025	2023-2024
	KShs	KShs
Gross Salary and Allowances	223,512,689	220,043,391
Casual Workers' Wages	-	-
Medical insurance schemes	27,111,865	17,850,133
Employer's contributions to social security schemes	6,862,301	3,683,843
Employer's contributions to pension scheme	26,860,654	22,369,210
Provision for Leave pay	3,986,500	3,557,500
Gratuity	3,107,083	1,073,840
Employer's contributions to Affordable Housing Levy	3,285,088	2,600,762
	294,726,180	271,178,679
The average number of employees at the end of the year was:		
	2024-2025	2023-2024
Management Staff	8	8
Non-management Staff	213	208
Seconded Staff	3	3
	224	219

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

	2024-2025	2023-2024
Description	KShs	KShs
Advertising, printing, stationery and photocopying	11,774,618	5,679,566
Auditors' remuneration	700,000	700,000
Bank charges and commissions	741,211	3,309,932
Bulk water costs	322,149,048	192,927,622
Chemicals	3,550,915	2,570,498
Communication services and supplies	11,004,599	9,106,745
Consultancy fees	2,911,600	-
Corporate Social Responsibility	608,600	79,000
Cost of Electricity (Pumping stations, Boreholes)	5,375,007	6,217,199
Electricity and water (Office)	2,613,342	3,461,787
Hospitality supplies and services	7,117,666	6,682,569
Insurance costs	2,884,710	2,477,097
Contracted Professional fees	1,566,800	556,800
Occupational Safety & Health (OSH)	1,259,090	968,790
Office and general supplies and services	34,265,880	31,091,923
Provision for bad and doubtful debts	-	-
Rent expenses	180,000	239,000
Staff training expenses	1,357,783	741,461
Transportation, travelling and subsistence	17,558,596	14,379,854
Compensation for loss of livelihood	-	151,421
World Bank Project Operations expense	33,245,081	3,551,427
4% WASREB Regulatory Levy	30,833,101	26,980,890
Staff Motivation Program	2,468,300	-
Benevolent Fund	431,000	-
	494,596,947	311,873,581

13. Board Expenses

	2024-2025	2023-2024
	KShs	KShs
Chairman's Honoraria	960,000	1,000,000
Sitting allowances	5,840,000	8,000,000
Medical Insurance	932,954	-
Induction and Training	-	-
Travel and accommodation	2,301,318	935,000
Affordable Housing Levy	101,309	103,688
Other allowances	1,507,013	1,804,525
Total director emoluments	11,642,594	11,843,213

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

Notes to the financial statements (continued)

14. Maintenance Expenses

	2024-2025	2023-2024
	KShs	KShs
Repairs, Maintenance & Minor Works & Others	75,106,400	64,119,913
	75,106,400	64,119,913

15. Depreciation and Amortization Expenses

	2024-2025	2023-2024
	KShs	KShs
Depreciation of Property, Plant and Equipment	103,813,259	83,524,606
Amortization of Intangible Assets	3,196,838	1,892,842
	107,010,097	85,417,448

16. Finance costs

	2024-2025	2023-2024
	KShs	KShs
Interest expense on loans	-	-
Interest expense on bank overdrafts	-	-
	-	-

17. Income Tax Expense/(Credit)

	2024-2025	2023-2024
	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, 2025.

Malindi Water and Sewerage Company Limited
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For the year ended June 30 2025

Notes to the financial statements (continued)

20. Property, Plant and Equipment

2025	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 2024	412,834,232	255,739,819	75,420,735	51,534,057	55,366,975	850,895,818
Additions	-	9,925,756	-	5,645,720	2,700,487	18,271,963
Disposals	-	-	-	-	-	-
Transfers/adjustments	-	136,133,252	-	-	-	136,133,252
Revaluation Reserve	-	-	-	-	-	-
At end of year - 30 June 2025	412,834,232	401,798,827	75,420,735	57,179,777	58,067,462	1,005,301,033
Depreciation						
At 30 June 2024	53,998,601	160,940,505	87,709,395	67,065,608	39,786,703	409,500,811
Depreciation	10,320,856	50,224,853	18,855,184	17,153,933	7,258,433	103,813,259
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-
At 30 June 2025	64,319,457	211,165,359	106,564,579	84,219,541	47,045,135	513,314,070
Net Book Value at June 30 2025	348,514,776	190,633,468	(31,143,844)	(27,039,764)	11,022,327	491,986,963

Malindi Water and Sewerage Company Limited
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Notes to the financial statements (continued)

Property, Plant and Equipment (Continued)

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

Malindi Water and Sewerage Company Limited
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Notes to the financial statements (continued)

21. Intangible Assets

INTANGIBLE ASSETS	2024-2025	2023-2024
	KShs	KShs
Cost		
At July 1	9,464,211	9,464,211
Additions	6,519,980	-
Disposals	-	
Transfers/adjustments	-	
At end of year - 30 June	15,984,191	9,464,211
Amortization		
At July 1	7,597,445	5,704,603
Amortization	3,196,838.20	1,892,842.20
Disposals		
Impairment loss		
Transfer/adjustments		
At 30 June	10,794,283	7,597,445
Net Book Value at June 30	5,189,908	1,866,766

22. Work In Progress

	2024-2025	2023-2024
	KShs	KShs
Opening Balance	1,653,732,830	1,128,503,049
Additions in the year	262,238,030	525,229,781
Transfers	(136,133,252)	-
	1,779,837,608	1,653,732,830

23. Inventories

	2024-2025	2023-2024
	KShs	KShs
Assorted Inventory	31,088,274	37,835,229
Bulk Water	1,150,000	1,015,342
	32,238,274	38,850,571

Malindi Water and Sewerage Company Limited
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Notes to the financial statements (continued)

24. Trade Receivables

	2024-2025	2023-2024
	KShs	KShs
Trade receivables (note 24a)	509,149,641	480,716,507
Deposits and prepayments	-	-
Customer deposit receivable (note 24b)	8,443,600	8,443,600
Gross trade and other receivables	517,593,241	489,160,107
Provision for bad and doubtful receivable	-	-
Net trade and other receivables	517,593,241	489,160,107
24 (a) TRADE RECEIVABLES		
	2024-2025	2023-2024
	KShs	KShs
Gross Trade receivables	509,149,641	480,716,507
Provision for doubtful receivables	-	-
Net Trade Receivables	509,149,641	480,716,507
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	48,638,533	63,610,821
Between 30 and 60 days	34,154,753	48,308,877
Between 60 and 90 days	24,179,134	24,877,614
Between 90 and 120 days	20,912,937	13,239,018
Over 120 days	381,264,284	330,680,177
	509,149,641	480,716,507
Note 24(b)		
The trade and other receivable includes KSh 8,443,600 to be refunded to the Company by CWWDA as customer deposits collected before the inception of the Company		

Malindi Water and Sewerage Company Limited
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Notes to the financial statements (continued)

25. Ordinary Share Capital Receivable

	2024-2025	2023-2024
	KShs	KShs
Authorized:		
2,500 ordinary shares of Kshs.1,000 par value each	2,500,000	2,500,000
	2,500,000	2,500,000
Paid:		
2,500 ordinary shares of Kshs.1,000 par value each	2,500,000	2,500,000

26. Cash and Bank Balances

	2024-2025	2023-2024
	KShs	KShs
Cash at bank	4,232,070	111,021,428
Cheque in hand	-	1,199,165
Cash in hand	-	163,000
Mobile money account	619,789	1,998,180
	4,851,859	114,381,773

Detailed Cash and Bank Balances are shown in note 26(a)

Malindi Water and Sewerage Company Limited
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Note 26 (a)

NO.	BANK NAME/BRANCH	ACCOUNT NO.	ACCOUNT NAME	2024-2025	2023-2024
a)	Current account				
1	KCB-MALINDI BRANCH	1104220504	MAWASCO REVENUE A/C.	233,913.39	1,625,791.17
2	KCB-MALINDI BRANCH	1104220571	MAWASCO OPERATIONS A/C.	17,813.35	-
3	KCB-MALINDI BRANCH	1104224186	MAWASCO PROJECTS A/C.	1,502.35	2,567.35
4	KCB-MALINDI BRANCH	1103447661	MAWASCO SAVINGS A/C.	72,630.16	250,282.40
5	KCB-MALINDI BRANCH	1104220377	MAWASCO DEPOSITS A/C.	1,767,283.25	1,298,963.25
6	KCB-MALINDI BRANCH	1224619129	MAWASCO-LOAN REPAYMENT ACCOUNT	94,075.25	94,075.25
7	KCB-MALINDI BRANCH	1282151320	MAWASCO TRANSFORM PROJECT ACCOUNT	66,831.60	68,496.80
8	KCB-MALINDI BRANCH	1281859966	MAWASCO - LIQUIDITY SUPPORT ACCOUNT	58.25	688.25
9	KCB-MALINDI BRANCH	1278233288	MAWASCO SMART METERING PROJECT	3,466.50	4,531.50
10	KCB-MALINDI BRANCH	1236141776	MAWASCO WORLD BANK PROJECT ACCOUNT	12,984.15	67,424,262.50
11	KCB-MALINDI BRANCH	1283864177	MAWASCO RESETTLEMENT ACTION PLAN ACCOUNT	70,089.95	645,288.95
12	KCB-MALINDI BRANCH	1284847829	MAWASCO - WSTF GONGONI - MARERENI PHASE 1 WATER PROJECT	-	23,497,190.30
13	KCB-MALINDI BRANCH	1319606369	MAWASCO - WSTF GONGONI - MARERENI PHASE 2 WATER PROJECT	-	10,984,510.75
14	KCB-MALINDI BRANCH	1284847845	MAWASCO - WSTF - MARERENI SANITATION PROJECT	-	-
15	KCB-MALINDI BRANCH	1302155865	MAWASCO - WSTF - MAJENGO MAPYA - MTAKATENI PROJECT	815,919.75	224,021.50
16	KCB-MALINDI BRANCH	1313001457	MAWASCO TIMBONI PSF PROJECT ACCOUNT	-	-
17	KCB-MALINDI BRANCH	1319606180	MAWASCO - WSTF - LOWER SABAKI /TIMBONI/MJANAHERI WRAS PROJECT	-	1,252,521.50
18	KCB-MALINDI BRANCH	1319606024	MAWASCO - WSTF - MAGARINI HOUSEHOLDI PROJECT	-	1,675,625.00
19	KCB-MALINDI BRANCH	1295442515	MAWASCO ESCROW ACCOUNT	306,772.25	306,772.25
20	EQUITY-MALINDI BRANCH	045-0293125064	MAWASCO REVENUE A/C.	106,740.60	629,346.60
21	POST BANK	0744130013926	POST BANK REVENUE COLLECTION ACCOUNT	170,105.80	200,920.00
22	FAMILY BANK - MALINDI BRANCH	9800017525	MAWASCO - FAMILY BANK COLLECTION ACCOUNT	195,977.00	152,572.00
23	CO-OPERATIVE -MALINDI BRANCH	01141654162600	MAWASCO REVENUE COLLECTION ACCOUNT	295,906.75	683,001.00
	Sub-total			4,232,070.35	111,021,428.32
1	Cheque in hand			-	1,199,165.00
2	Cash in hand			-	1,998,180.00
3	Mobile money account			619,789.00	163,000.00
	Sub-total			4,851,859.55	114,381,773.32

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Notes to the financial statements (continued)

27. Ordinary Share Capital

	2024-2025	2023-2024
	KShs	KShs
Authorized:		
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

28. Retained Earnings

	2024-2025	2023-2024
	KShs	KShs
As at the Start of the Year	(306,899,559)	(321,706,116)
Net loss for the Year	(154,017,567)	14,806,557
Prior Year Adjustment	-	-
As at the End of the Year	(460,917,127)	(306,899,559)

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.

29. Capital Reserve Fund

	2024-2025	2023-2024
	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.

30. Revaluation Reserve Fund

	2024-2025	2023-2024
	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.

Malindi Water and Sewerage Company Limited
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Notes to the financial statements (continued)

31. Water and Sanitation Development Project Loan

	2024-2025	2023-2024
	KShs	KShs
WSDP Loan Balance at beginning of the year	1,370,920,994	830,303,937
Borrowings during the year	213,350,000	540,617,057
Repayments during the year	-	-
Balance at the end of the year	1,584,270,994	1,370,920,994

32. Trade Payables

	2024-2025	2023-2024
	KShs	KShs
Trade payables	913,572,730	943,707,762
Employee payables	28,793,745	21,643,104
	942,366,475	965,350,866
Aging Analysis for Trade and other Payables		
	2024-2025	2023-2024
	KShs	KShs
Under one year	138,808,643	143,665,290
1-2 years	179,925,152	186,220,387
2-3 years	266,989,144	276,330,580
Over 3 years	327,849,791	337,491,505
Total	913,572,730	943,707,762.00

33. Provision for leave allowance

	2024-2025	2023-2024
	KShs	KShs
Balance at the start of the year	-	-
Additional provision	3,986,500	3,557,500
Provision utilized	(3,986,500)	(3,557,500)
Change due to discount and time value for money	-	-
Balance at the end of the year	-	-

Malindi Water and Sewerage Company Limited
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Notes to the financial statements (continued)

34. Customer Deposit Payable

	2024-2025	2023-2024
	KShs	KShs
Balance at the start of the year	79,613,114	73,060,214
Additional Deposit paid during the year	9,534,250	6,564,400
Customer Deposits refunded during the year	-	(11,500)
Balance at the end of the year	89,147,364	79,613,114

35. Retirement benefit obligations

	2024-2025	2023-2024
	KShs	KShs
Balance at the start of the year	137,170,821	109,339,387
Additional Employer's and Employees' contributions	48,349,313	40,264,565
Benefit utilized during the year	(2,510,918)	(12,433,131)
Balance at the end of the year	183,009,216	137,170,821

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.

36. Gratuity payable

	2024-2025	2023-2024
	KShs	KShs
Balance at the start of the year	3,931,439	6,877,808
Prior year Gratuity	-	-
Gratuity provided during the year	3,107,083	1,073,840
Gratuity paid during the year	(2,516,972)	(4,020,209)
Balance at the end of the year	4,521,550	3,931,439

Malindi Water and Sewerage Company Limited
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Notes to the financial statements (continued)

37. Notes to The Statement of Cash Flows

	2024 - 2025	2023 - 2024
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	(154,017,567)	14,806,557
Depreciation	103,813,259	83,524,606
Amortization	3,196,838	1,892,842
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	(47,007,470)	100,224,005
Working capital changes:		
(Increase)/decrease in inventories	6,612,297	15,400,403
(Increase)/decrease in trade and other receivables	(28,433,134)	(108,843,095)
Increase/(decrease) in trade and other payables	(22,984,391)	63,675,830
Increase/(decrease) in retirement benefit obligations	45,838,395	27,831,434
Increase/(decrease) in customer deposits payable	9,534,250	6,552,900
Increase/(decrease) in customer deposits receivable	-	8,443,600
Increase/(decrease) in Gratuity payable	590,111	(2,946,369)
Increase/(decrease) in provision for staff leave pay	-	-
Increase/(decrease) in Share Capital Receivable	-	2,500,000
Cash generated from/ (used in) operation	(35,849,942)	112,838,708

38. 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 and board of directors
- Others (Development Partners)

Malindi Water and Sewerage Company Limited
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Notes to the financial statements (continued)

Transactions with related parties

		2024-2025	2023-2024
		KShs	KShs
A	Sales to related parties		
	Water sales to Govt. agencies	23,348,005	16,234,717
	Total	23,348,005	16,234,717
B	Purchases from related parties		
	Cost of water	322,149,048	192,927,622
	Total	322,149,048	192,927,622
C	Grants from the Government		
	Grants from National Government	22,706,535	81,395,754
	Donations in kind	2,187,900	2,476,030
	Total	24,894,435	83,871,784
D	Key management compensation		
	Directors' emoluments	11,642,594	11,843,213
	Compensation to key management	39,344,208	33,817,800
	Total	50,986,802	45,661,013

39. 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.

	2024-2025
	KShs
Bulk Water bills	322,149,048
Less	
Total Payments made to KPLC	246,215,060
Total payments made to CWWDA	34,476,400
Total payments made	280,691,460
Balance c/f	41,457,588

Notes to the financial statements (continued)

40. Capital Commitments

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

41. 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.

42. Financial Risk Management

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

(i) Credit risk

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

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

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:

Notes to the financial statements (continued)

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.

(iii) Market risk

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

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

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

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

Notes to the financial statements (continued)

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.

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.

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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.

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		2024-2025	2023-2024
		KShs	KShs
Ordinary share capital	27	5,000,000	5,000,000
Retained earnings	28	(460,917,127)	(306,899,559)
Capital Reserve Fund	29	39,534,996	39,534,996
Revaluation Reserve	30	447,264,384	447,264,384
Capital and Reserves		30,882,253	184,899,821

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43. Incorporation

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

44. Events After the Reporting Period

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

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	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2	<p>Long outstanding Trade and Other Receivables</p> <p>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.</p> <p>In the circumstances, the accuracy and recoverability of trade and other receivables balance of Kshs.489,160,107 could not be confirmed.</p>	<p>The management acknowledges the trade and receivable balance of KShs 330,680,177. This trade balance and receivables represent long outstanding debtors disconnected for non-payment. The Management has created a debt collection unit under the Commercial Officers (Credit Assistants) in the Company Organogram dedicated for debt collection. The management has further engaged a debt collector to recover the outstanding debt.</p> <p>The management has sent reminders to CWWDA regarding the outstanding Customer Fixed Deposit refund to the Company.</p>	<p>Not yet resolved</p> <p>Not yet resolved</p>	

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	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3	<p>Long outstanding Trade and Other payables balance</p> <p>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.</p> <p>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 payables</p> <p>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,</p> <p>In the circumstances, the accuracy and completeness of trade payables balance of Kshs 965,350,866 could not be confirmed</p>	<p>The management acknowledges the purchase of bulk water from CWWDA without a fully signed bulk water supply agreement. The management forwarded the signed agreement to CWWDA that was signed by MAWASCO and by the CECM Water for their onward submission to WASREB.</p> <p>The management acknowledges not to have paid all staff salaries and previous staff salary deductions totalling to KSh 21,643,104 as at 30 June 2024. The Staff salaries are paid between 1st and 7th of every month.</p> <p>The management acknowledges to have erred in preparing note 34 to the financial statements on page 41. The balance sheet item, note 34, on page 2 showing a balance of KShs 965,350,866 is the correct balance as supported by the schedules during the audit</p>	<p>Resolved</p> <p>Resolved</p> <p>Resolved</p>	

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	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4	<p>Inaccurate Customer Deposit Balance</p> <p>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.</p> <p>In the circumstances, the accuracy, completeness and existence of customer deposits balance of Kshs. 79,613,114 could not be confirmed.</p>	<p>The customer balance of KShs 79,613,114, as recorded in the Fixed Deposit Register, was reported in Note 36 to the financial statement, while the Customer Fixed Deposit Bank Balance of KShs 1,298,963 was reported in Note 27 to the financial statement. The board approval and resolution to utilize the funds and the repayment plan is provided for audit.</p>	Resolved	

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Emphasis of Matter

No	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Budgetary Control and Performance</p> <p>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.</p> <p>My opinion is not modified in respect of this matter.</p>	<p>The revenue budget was underfunded because donor funds from WSDP were not received as expected in the second half of the financial year. These funds were received in July 2024. Future budgets will be adjusted to reflect accurate income projections.</p> <p>The limited utilization of actual receipts was attributed to delayed raising of Invoices by Service Providers. In future we shall monitor all the service providers to raise invoices in time to match the financial year projects.</p>	<p>Resolved</p> <p>Resolved</p>	

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Other Matter

No	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Unresolved Prior Year Audit Matters</p> <p>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.</p>	<p>Unresolved Prior Year Audit Matters</p> <p>The status of the prior year's Audit Matters is detailed in Appendix 1 on page 41 to page 48 of the financial statement. Issues within the Company's control were addressed promptly, while those necessitating financial planning have been incorporated into the current financial budget. Matters involving other organizations have been escalated and will be reported in the financial year 2024-2025.</p>	Resolved	

Report on lawfulness and Effectiveness in the use of public Resources

Basis of Conclusion

No	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p>Non-Compliance with Laws and Regulations</p> <p>1.1 Non-Compliance with Affirmative Action on Gender, Ethnicity and Regional Balance</p> <p>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 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.</p> <p>In the circumstances, Management was in breach of Policy Guidelines.</p>	<p>The management is working on addressing this adverse ratio over time. The current staff demographics were inherited in 2006 when the Company was being launched. The management has been working on correcting this imbalance including consideration of the youth where they form 15% of the total Staff Establishment. The staff establishment in total show a deficit of staff and the management is intending to use this continue correct the staff imbalance.</p>	Not yet resolved	

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1.2	<p>Non-Remittance of Pension Deductions</p> <p>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. 2024 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.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>Management acknowledges delays in remittances for some months. To address this, an agreement with the Pension Fund Managers for remittances for those months not remitted was agreed up on. We aim to improve cash flow by increasing revenue collection and reducing operating expenses. This will be achieved through tariff reviews, expanding water coverage, increasing connectivity, and reducing operating costs in order to refund. Attached as Annex 6 (b) is the workings showing the months unpaid.</p>	Not yet resolved	
2 2.1	<p>Issues on Effectiveness</p> <p>Effectiveness of non-Revenue water Management</p> <p>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</p>	<p>The regulator recommends a non-revenue loss threshold of below 25%. During the review period, management set a more stringent in-house target of 12% and achieved 16% out of the 25% allowable. Management is reviewing non-revenue water loss activities to reach more desirable levels.</p>	Resolved	

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	<p>the acceptable non-revenue water is 12% and any non-revenue water above 12% is unacceptable in respect of the Company.</p> <p>In the circumstances, the Company's non-revenue measures were not effective during the year under review thereby negatively affecting the Company's profitability.</p>			
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Name: Felix Wanje

Signature: 

Designation: Managing Director:

Date: 26.08.2025

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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 Mtakateni	-	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	90%	19,979,400.00	19,979,400.00	Donor funds
2	Timboni PSF	5,856,328.00	4,260,094.00	100%	5,856,328.00	5,856,328.00	Donor funds
3	Gongoni Marereni Ph I	94,460,575.22	10,745,589.32	100%	94,460,575.22	94,460,575.22	Donor funds
4	Gongoni Marereni Ph II	53,766,063.34	28,276,155.20	100%	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	90%	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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Appendix III- Inter-Entity Confirmation Letter

Name of Transferring entity: County Government of Kilifi

Name of Beneficiary entity: Malindi Water and Sewerage Company Limited

Confirmation of amounts received by Malindi Water and Sewerage Company Limited as at 30 th June 2025					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
IDA – 6030 KE	06.11.2024	-	213,350,000	213,500,000	Funds used for WSDP project

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

Head of Accounts Department - Disbursing Entity:

Name Sign Date

Head of Accounts Department - Beneficiary Entity:

Name Seth Kaluwa Sign [Signature] Date 26/08/25

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 related project in the financial year under review.

Appendix V: Reporting Disaster Management Expenditure

Date: 30 June 2025

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 is in place.

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Appendix VI: Recording of Transfers from Other Government Entities

Name of the 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	Others - must be specific	
Water Sector Trust Fund	03/08/2024	Development	14,781,152.50	14,781,152.50	-	-	-	-	14,781,152.50
Water Sector Trust Fund	02/10/2024	Development	6,393,403.00	6,393,403.00	-	-	-	-	6,393,403.00
Water Sector Trust Fund	03/10/2024	Development	1,531,974.00	1,531,974.00	-	-	-	-	1,531,974.00