

BASEFLOW (MALAWI)  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2025

 **Bradley & Teely**  
CHARTERED ACCOUNTANTS

■ AUDIT ■ TAXATION ■ ADVISORY ■ ACCOUNTING



**BASEFLOW (MALAWI)**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

<b>Contents</b>	<b>Page</b>
Directors' report	1
Statement of Directors' responsibilities	3
Independent Auditors' report on the financial statements	5
Statement of financial position	8
Statement of comprehensive income	9
Statement of changes in funds	10
Statement of cashflow	11
Accounting policies to the financial statements	12
Notes to the financial statements	25

**BASEFLOW (MALAWI)  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2025**

The Directors of BASEFLOW have pleasure in submitting their report together with audited annual financial statements of the organization for the financial year ended 31 December 2025.

**ORGANIZATION BACKGROUND**

BASEFLOW operates under three operational themes:

(1) Building Understanding including Strengthening existing data/knowledge management systems through research/mapping that fosters coordination, accountability and transparency across the sector; (2) Building Capacities including intensifying capacity development of sector players to help augment traditional service delivery models and challenge existing systems thinking; (3) Providing Alternatives including facilitating district-level collaboration which incorporates various stakeholder interests and actualizes principles of Integrated Water Resources Management; and establishing an operational framework for village-level preventative maintenance that fosters value-adding relationships between communities and micro-enterprises.

**VISION**

BASEFLOW's vision for change is 'a world where no well runs dry'.

**MISSION**

BASEFLOW's core mission is to improve the sustainability of groundwater sources for rural populations to access safe drinking water, by empowering both public and private sector actors with the appropriate knowledge, skills, technologies, and innovations to sustainably harness groundwater sources. The slogan of the organization of, '(re)discover groundwater', highlights the importance of reimagining our understanding of groundwater sources, in order to leverage it sustainably and meet the needs of rural populations in the context of an ever-increasing demand on this resource.

**PHYSICAL ADDRESS**

The physical and postal address of the company's registered office is at:

Chilembwe Road  
Plot BW 508  
Namiwawa  
P.O. Box 30467  
Blantyre.

**PROJECT OBJECTIVES**

The overall objective of the project is to professionally provide in-country project management, logistical coordination and relevant technical backstopping support to underpin the long term ground water management and advocacy efforts in Malawi. To achieve the objective, BASEFLOW will support the programme through three distinct work packages as outlined below:

- 1) Coordinate in-country education, communication, research and knowledge management initiatives aimed at improving sector-understanding of the ground water resource.
- 2) Manage and support the Collection, Collation, Cleaning and Analysis of IWRM Related Data in target districts for
- 3) Manage direct implementation of The Accountability Project which aims to strengthen long term monitoring support of existing rural O&M systems.

**ETHICAL STANDARDS**

The Board is fully committed to ensuring that the affairs of the organization are conducted with integrity and that the highest ethical standards are maintained.

**BASEFLOW (MALAWI)**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**CORPORATE GOVERNANCE**

BASEFLOW is committed to and support the principles of good corporate governance. The Board of Directors observe the principles of transparency and accountability in the discharge of their duties and responsibilities.

**PENDING LITIGATION**

The Directors are not aware of any material litigation outstanding or any claims of material importance pending or threatened against the Organization which has not been discussed in this report.

**GOING CONCERN**

Significant conditions which indicate the existence of a material uncertainty which may cast significant doubt about the Organization's ability to continue as a going concern has not come to the attention management of BASEFLOW as at 31 December 2025.

**BASEFLOW (MALAWI)**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**BOARD OF DIRECTORS**

The following served as directors of the organization during the year ended 31 December 2025.

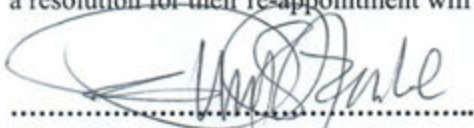
<b>Name</b>	<b>Position</b>	<b>Period</b>	<b>Residential Status</b>
Paul Mzembe	Chairperson	Whole financial year	Resident
Wangiwe Kambuzi	Director	Whole financial year	Resident
Dr. Tiwonge Gawa	Director	Whole financial year	Resident
Edgar Kasalika	Director	Whole financial year	Resident
Matthews Mwaadzaangati	Director	Whole financial year	Resident


**FINANCIAL INSTITUTIONS**

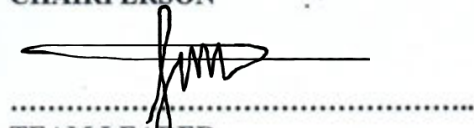
Old Mutual  
Standard Bank of Malawi

**AUDITORS**

Bradley and Teely- Certified Public Accountants, Dossani House, P.O. Box 408, Blantyre. In accordance with the provisions of the Articles of Association of the organization, Bradley and Teely will retire as auditors of the organization at the forthcoming Annual General Meeting and having expressed their willingness to continue in office a resolution for their re-appointment will be proposed at the Annual General Meeting.

  
.....  
**CHAIRPERSON**

  
.....  
**DATE**

  
.....  
**TEAM LEADER**

29th June 2026  
.....  
**DATE**

**BASEFLOW (MALAWI)**

**STATEMENT OF DIRECTORS RESPONSIBILITIES  
FOR THE YEAR ENDED 31 DECEMBER 2025**

The responsibilities of management of the BASEFLOW and the Directors of BASEFLOW are similar and good corporate governance demands that Directors assume the same responsibilities as those for Directors. Accordingly the Directors has adopted the requirements of the Trustees Incorporation Act of Malawi as its own for the financial year ended 31 December 2025.

The Directors Incorporation Act of Malawi also requires the Directors to ensure BASEFLOW keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of BASEFLOW and enables them to ensure that the financial statements comply with the Directors Incorporation Act of Malawi.

In preparing the financial statements, the Directors accept responsibility for the following:

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards, when preparing financial statements, subject to any material departures being disclosed and explained in the financial statements; and
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume that the BASEFLOW will continue in business.

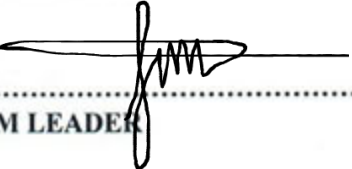
The Directors also accept responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Trust and to maintain adequate systems of internal controls to prevent and detect fraud and other irregularities.

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

The Directors are of the opinion that the financial statements for the year ended 31 December 2025 give a true and fair view of the state of the financial affairs of the Organization and their operating results.

  
.....  
**CHAIRPERSON**

29/6/2026  
.....  
**DATE**

  
.....  
**TEAM LEADER**

29th June 2026  
.....  
**DATE**

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF BASEFLOW (MALAWI) FOR THE YEAR ENDED 31 DECEMBER 2025.****Unqualified audit opinion**

We have audited the financial statements of BASEFLOW (Malawi), which comprise the statement of financial position as at 31<sup>st</sup> December 2025, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BASEFLOW (Malawi) as at 31<sup>st</sup> December 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and other relevant laws and regulations.

**Basis for our unqualified audit opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of BASEFLOW (Malawi) in accordance with the International Federation of Accountants (IFAC) code of Ethics together with the ethical requirements that are relevant to our audit of BASEFLOW (Malawi)'s financial statements in Malawi. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our professional judgement, we did not come across matters of most significance which required special attention.

**Responsibilities of management and those charged with governance for the financial statements.**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing BASEFLOW (Malawi)'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 either intends to liquidate BASEFLOW (Malawi) or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing BASEFLOW (Malawi)'s financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BASEFLOW (Malawi)'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on BASEFLOW (Malawi)'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause BASEFLOW (Malawi) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within BASEFLOW (Malawi) to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Certified Public Accountants  
AUDIT | TAX | ACCOUNTING | ADVISORY

The engagement partner on the audit resulting in this independent auditor's report is Mr. Mujima Nangantani, FCCA, CPA (Mw). Mr Mujima Nangantani is registered with the Malawi Accountants Board as a Resident Practising Accountant under registration certificate number 2013/322 and registration number RP/94.

Signed by

Mujima Nangantani  
Engagement Partner

*Bradley & Teely*

**CERTIFIED PUBLIC ACCOUNTANTS**  
**BLANTYRE**  
**MALAWI.**

**DATED**.....

**BASEflow (MALAWI)**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2025**

*(In Malawi Kwacha)*

ASSETS	Note	2025	2024
<b>Non current assets</b>			
Property, plant and equipment	6	<u>70,693,788</u>	<u>44,086,683</u>
<b>Current assets</b>			
Related party	7	126,439,520	186,839,449
Receivables	8	8,206,082	7,058,888
Cash and cash equivalents	9	<u>231,314,566</u>	<u>348,272,938</u>
		<u>365,960,168</u>	<u>542,171,275</u>
<b>Total assets</b>		<u><u>436,653,956</u></u>	<u><u>586,257,958</u></u>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds</b>			
Revaluation reserve		2,547,983	1,612,961
Capital fund	10	-	-
Accumulated fund		<u>389,290,607</u>	<u>546,315,813</u>
		<u>391,838,590</u>	<u>547,928,774</u>
<b>Current liabilities</b>			
Related party	7	20,734,906	16,949,387
Payables	11	22,577,115	20,651,452
Staff fund	12	<u>1,503,345</u>	<u>728,345</u>
		<u>44,815,366</u>	<u>38,329,184</u>
<b>Total funds and liabilities</b>		<u><u>436,653,956</u></u>	<u><u>586,257,958</u></u>

The financial statements were approved by the Board of Directors on.....  
and signed on its behalf by:-

.....  
CHAIRPERSON

.....  
TEAM LEADER

*The financial statements are to be read in conjunction with the accounting policies and notes on pages 9 to 26  
The Auditors' Report is on page 5*

**BASEflow (MALAWI)****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2025  
(In Malawi Kwacha)**

<b>Revenue</b>	<b>Notes</b>	<b>2025</b>	<b>2024</b>
Grants received	13	1,032,768,967	1,369,662,972
Other income	14	30,757,546	29,846,406
		<u>1,063,526,513</u>	<u>1,399,509,378</u>
<b>Expenses</b>			
Personnel costs	15	273,351,386	256,268,715
Programme support costs	16	308,755,202	109,435,044
Communication	17	15,451,970	8,857,958
Climate resilience	18	-	17,373,910
Research and innovation	19	60,782,047	23,427,931
Water resource management	20	31,803,763	129,082,442
Water mapping, governance & advocacy	21	-	13,796,688
Capacity building	22	83,759,770	41,051,090
Sanitation and hygiene		-	1,681,420
Trainings and workshops	23	-	11,490,995
Monitoring and evaluation	24	12,887,688	10,037,932
Accountability project	25	-	3,257,750
Support to ministry & regulators	26	-	66,030,138
Borehole forensics and rehabilitation	27	259,242,630	247,949,300
Data governance	28	20,882,138	-
Extra curricular expenses	29	78,789,338	73,536,693
SFF Expenses	30	28,486,844	51,484,063
Community stewardship	31	17,928,099	-
		<u>1,192,120,875</u>	<u>1,064,762,069</u>
<b>Operating surplus for the year before depreciation</b>		(128,594,362)	334,747,309
Depreciation charge for the year		(17,805,537)	(10,242,513)
<b>Net (deficit)/surplus for the period</b>		<u>(146,399,899)</u>	<u>324,504,796</u>

The financial statements are to be read in conjunction with notes and significant accounting policies on pages 9 to 26

The auditors report is on page 5

**BASEflow (MALAWI)**

**STATEMENT OF CHANGES IN FUNDS EMPLOYED  
FOR THE YEAR ENDED 31 DECEMBER 2025**

*(In Malawi Kwacha)*

	<u>Revaluation Reserve</u>	<u>Capital Fund</u>	<u>Accumulated Funds</u>	<u>Total</u>
As at the beginning of the year	2,136,084	1,284,469	247,201,922	250,622,475
Prior year adjustments	-	-	(25,390,905)	(25,390,905)
Depreciation charge for the year	(523,123)	(1,284,469)	-	(1,807,592)
Surplus for the year	-	-	324,504,796	324,504,796
Balance at 31 December 2024	<u>1,612,961</u>	<u>-</u>	<u>546,315,813</u>	<u>547,928,774</u>
As at the beginning of the year	1,612,961	-	546,315,813	547,928,774
Prior year adjustments	-	-	(10,625,307)	(10,625,307)
Additions	4,742,312	-	-	4,742,312
Disposals	(2,628,152)	-	-	(2,628,152)
Impairment and depreciation	(1,179,138)	-	-	(1,179,138)
Deficit for the year	-	-	(146,399,899)	(146,399,899)
Balance at 31 December 2025	<u>2,547,983</u>	<u>-</u>	<u>389,290,607</u>	<u>391,838,590</u>

*The financial statements are to be read in conjunction with notes and significant accounting policies on pages 9 to 26  
The Auditors' Report - Page 5*

**BASEflow (MALAWI)****STATEMENT OF CASHFLOW  
FOR THE YEAR ENDED 31 DECEMBER 2025***(In Malawi Kwacha)*

	<u>Note</u>	<u>2025</u>	<u>2024</u>
<b>Surplus for the year</b>		<b>(146,399,899)</b>	<b>324,504,796</b>
Adjustment for:			
Depreciation	6	<u>19,111,764</u>	<u>12,067,177</u>
<b>Net cash flow (absorbed)/ generated in operating activities</b>		<b>(127,288,135)</b>	<b>336,571,973</b>
(Increase )/decrease in receivables	7	<u>(1,147,194)</u>	<u>(3,586,865)</u>
(Increase )/decrease in related party payables		<u>3,785,519</u>	<u>16,949,387</u>
(Increase )/decrease in related party receivables		<u>60,399,929</u>	<u>(69,311,247)</u>
Increase /(decrease) in payables	10	<u>1,925,663</u>	<u>(235,667,217)</u>
<b>Cash (absorbed)/generated in operating activities</b>		<b>(62,324,218)</b>	<b>44,956,031</b>
Interest received		<u>-</u>	<u>-</u>
<b>Net Cash (absorbed)/generated in operating activities</b>		<b>(62,324,218)</b>	<b>44,956,031</b>
<b>Investing activities</b>			
Additions- fixed assets purchased during the year	6	<u>(47,452,133)</u>	<u>(36,950,000)</u>
Disposals		<u>1,733,263</u>	<u>-</u>
Movement in revaluation reseve		<u>935,022</u>	<u>(523,123)</u>
Movement in capital fund		<u>-</u>	<u>(1,284,469)</u>
Staff fund	11	<u>775,000</u>	<u>(750,320)</u>
<b>Net cash flow from investing activities</b>		<b>(44,008,848)</b>	<b>(39,507,912)</b>
<b>Financing activities</b>			
Prior year adjustments	6	<u>(10,625,307)</u>	<u>(25,390,905)</u>
<b>Net cash flow from financing activities</b>		<b>(10,625,307)</b>	<b>(25,390,905)</b>
<b>Net increase/(decrease)in cash and cash equivalents</b>		<b>(116,958,373)</b>	<b>(19,942,786)</b>
Cash and cash equivalents at the beginning of the year	8	<u>348,272,938</u>	<u>368,215,724</u>
<b>Cash and cash equivalents at the end of the year</b>	7	<b><u>231,314,565</u></b>	<b><u>348,272,938</u></b>

*The financial statements are to be read in conjunction with the accounting policies and notes on pages 9 to 26*

*The Auditors' Report is on page 5*

**BASEFLOW (MALAWI)  
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**1 Reporting entity**

BASEFLOW operates under three operational themes:

(1) Building Understanding including Strengthening existing data/knowledge management systems through research/mapping that fosters coordination, accountability and transparency across the sector; (2) Building Capacities including intensifying capacity development of sector players to help augment traditional service delivery models and challenge existing systems thinking; (3) Providing Alternatives including facilitating district-level collaboration which incorporates various stakeholder interests and actualizes principles of Integrated Water Resources Management; and establishing an operational framework for village-level preventative maintenance that fosters value-adding relationships between communities and micro-enterprises.

**2 New and amended standards and interpretations**

Below is a list of new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2025 (i.e. years ending 31 December 2025) and forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2025.

**(a) New standards and amendments – applicable 01 January 2025**

The table below provides a summary of the pronouncements which will be mandatorily applied by entities for the first time at 31 December 2025, for various quarterly reporting periods.

**Amendments**

<b>Standards</b>	<b>Effective dates</b>
Amendments to References to the Conceptual Framework	01 January 2025
Definition of a Business (Amendments to IFRS 3)	01 January 2025
Definition of Material (Amendments to IAS 1 and IAS 8)	01 January 2025
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).	01 January 2025
Covid-19-Related Rent Concessions (Amendment to IFRS 16)	01 January 2025

**Amendments to References to the Conceptual Framework in IFRS Standards**

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework. Annual periods beginning on or after 1 January 2025.

**Definition of Material (Amendments to IAS 1 and IAS 8)**

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standard. Annual reporting periods beginning on or after 1 January 2025.

## **BASEFLOW (MALAWI)**

### **SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

#### **Definition of a Business (Amendments to IFRS 3)**

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2025.

#### **Covid-19-Related Rent Concessions (Amendment to IFRS 16)**

The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. Annual reporting periods beginning on or after 1 June 2025.

#### **Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)**

The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. Annual reporting periods beginning on or after 1 January 2025.

#### **Definition of Material (Amendments to IAS 1 and IAS 8)**

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. Annual reporting periods beginning on or after 1 January 2025.

#### **Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4).**

Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4: an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied. Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2025 and only available for five years after that date.

## BASEFLOW (MALAWI)

### SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### **(b) New standards and amendments not yet effective**

##### **Standards applicable for periods beginning 1 January 2026**

##### **Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)**

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. Annual reporting periods beginning on or after 1 January 2026.

##### **Reference to the Conceptual Framework (Amendments to IFRS 3)**

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. Annual reporting periods beginning on or after 1 January 2026.

##### **Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. Annual reporting periods beginning on or after 1 January 2026.

##### **Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)**

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). Annual reporting periods beginning on or after 1 January 2026.

##### **Amendments to IFRS 17**

Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The main changes are: Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2026 Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.

## **BASEFLOW (MALAWI)**

### **SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

#### **Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).**

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. Annual reporting periods beginning on or after 1 January 2025.

#### **Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)**

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. Annual reporting periods beginning on or after 1 January 2025.

#### **Definition of Accounting Estimates (Amendments to IAS 8)**

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. Annual reporting periods beginning on or after 1 January 2025.

#### **Annual Improvements to IFRS Standards 2018–2020**

##### **IFRS 1**

The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

##### **IFRS 9**

The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

##### **IFRS 16**

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

##### **IFRS 41**

The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

## **BASEFLOW (MALAWI)**

### **SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

#### **3 Significant accounting policies**

The accounting policies of BASEFLOW have been consistently applied and are consistent with those used in the previous year.

##### **(a) Statement of compliance**

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS's) issued by the International Accounting Standards Board (IASB) and interpretation issued by the International Financial Reporting and Interpretation Committee (IFRIC).

##### **(b) Basis of measurement**

The financial statements have been prepared on historical cost basis except for certain financial instruments at fair value through profit or loss which are measured at fair value.

##### **(c) Functional and presentation currency**

These financial statements are presented in Malawi Kwacha which is BASEFLOW's functional currency.

##### **(d) Use of estimates and judgments**

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgement in the application of policies and reported amounts in assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical costs experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

##### **(e) Foreign currency**

The financial statements of BASEFLOW are presented in the currency of the primary economic environment in which BASEFLOW operates (its functional currency). For the purpose of these financial statements, the results and financial position are expressed in Malawi Kwacha, which is the functional currency of BASEFLOW, and the presentation currency for the financial statements.

In preparing the financial statements, transactions in currencies other than BASEFLOW's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Exchange differences arising on the settlement or retranslation of monetary balances are included in the statement of comprehensive for the

**BASEFLOW (MALAWI)  
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**Significant accounting policies- continues**

**(f) Property, plant and equipment**

***Recognition and measurement.***

Items of property, plant and equipment are stated at cost or latest valuation less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determination from market-based evidence by appraisal undertaken by professional valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the statement of financial position.

***Recognition and measurement.***

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties capital fund, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties capital fund relating to a previous revaluation of the asset.

Depreciation on revalued buildings is charged to income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties capital fund is transferred directly to accumulated surpluses.

***Subsequent expenditure***

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

***Subsequent expenditure***

The gain or loss arising on the sale or retirement of an item of vehicle, furniture and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

***Depreciation***

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of items of property, plant and equipment and major components that are accounted for separately. The rates used are as follows:-

Buildings	-	60	years
Motor vehicles	-	5	years
Office equipment	-	3	years
Furniture and fittings	-	10	years

**Useful lives and the residual values of property, plant and equipment are reassessed annually.**

## BASEFLOW (MALAWI)

### SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### Significant accounting policies- continues

##### (g) Investment property

Investment property is property held to earn rental income or for capital appreciation or for both. Investment property is stated at cost, less depreciation and any accumulated impairment losses.

##### *Recognition*

BASEFLOW (Malawi) recognises investment property as an asset when it is probable that the future economic benefits that are associated with the property will flow to the entity, and the cost of the property can be reliably

##### *Initial measurement*

BASEFLOW initially measures its investment property at cost, including transaction costs. Such cost does not include start-up costs, abnormal waste, or initial operating losses incurred before the investment property achieves the planned level of occupancy.

##### *Subsequent measurement- fair value model*

BASEFLOW's Investment property was re-measured at fair value, which is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Gains or losses arising from changes in the fair value of investment property are included in net profit or loss for the period in which it arises.

Fair value of BASEFLOW investment property reflect the actual market state and circumstances as of the statement of financial position date. This is based on current prices on an active market for similar property in the same location and condition and subject to similar lease and other contracts. BASEFLOW continues to measure at fair value its investment properties until disposal, even if comparable market transactions become less frequent or market prices become less readily available.

##### *Disposal*

BASEFLOW derecognised its investment property on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised as income or expense in the statement of comprehensive income. Compensation from third parties is recognised when it becomes receivable.

##### *Partial own use*

If BASEFLOW uses part of its investment property for its own use, and part to earn rentals or for capital appreciation, and the portions can be sold or leased out separately, they are accounted for separately. Therefore the part that is rented out is recognised as investment property. If the portions cannot be sold or leased out separately, the property is investment property only if BASEFLOW occupied portion is insignificant. During the financial period ended 31 December 2025, BASEFLOW's investment property was wholly used to earn rentals.

##### *Transfers between categories*

For a transfer from investment property carried at fair value to owner-occupied property or inventories, BASEFLOW recognises the fair value at the change of use as the cost of the property under its new classification.

For a transfer from owner-occupied property to investment property carried at fair value, BASEFLOW applies IAS 16 (Property, Plant and Equipment) up to the date of reclassification. BASEFLOW accounts for any difference arising between the carrying amount under IAS 16 at that date and the fair value as a revaluation under IAS 16.

For a transfer from inventories to investment property at fair value, BASEFLOW accounts for any difference between the fair value at the date of transfer and its previous carrying amount and recognised in profit or loss for the reporting period.

## BASEFLOW (MALAWI)

### SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### Significant accounting policies- continues

**(h) Capital fund**

Grants utilised to finance specific property, plant and equipment purchases or those in the form of donated assets are carried forward in the capital fund and released to income over the life of the related assets. Donated assets are brought to account at their fair value to BASEFLOW at the date of receipt. Where BASEFLOW wholly or partly finances the purchase of property, plant and equipment using its own financial resources, an appropriation is made from the revenue fund to the capital fund so that the balance on the capital fund equals the net book value of property, plant and equipment.

**(i) Foreign currencies**

Donations received in foreign currencies are translated into Malawi Kwacha at the rate of exchange ruling at the date of the transaction.

**(j) Income**

Income represents grants from donors. Grants are recognised when received.

**(k) Grants**

Grants to finance the general operations of BASEFLOW or for distribution by BASEFLOW are released to income as and when the related expenditure is incurred. Unutilised grants are carried forward as liabilities until capital or revenue expenditure is incurred in line with the donors' requirements. Interest attributable to unutilised grants is added to the unutilised grant until repayment to the donor or utilisation in terms of the donor

**(l) Interest income**

Interest income attributable to BASEFLOW's own funds used in operations is included in the income statement. Interest in the loan account is capitalised to ensure growth of the loan fund. All interest is recognised on the accrual basis, by reference to the principal outstanding and at the effective interest rate applicable.

**(m) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Bank overdraft that are payable on demand and form an integral part of cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**(n) Receivables**

Receivables are measured at fair value on initial recognition, being the consideration expected to be received on settlement. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. and and form an integral part of cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

## BASEFLOW (MALAWI)

### SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### Significant accounting policies (*continued*)

**(o) Provisions**

A provision is recognised in the statement of financial position when BASEFLOW has a legal or constructive obligation as result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**(p) Investments**

Investments are initially measured at fair value, plus directly attributable transaction costs. At subsequent reporting dates, debt securities that BASEFLOW has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

**(q) Impairment**

At each statement of financial position date, BASEFLOW reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**(r) Income tax**

BASEFLOW is a non profit making organization and is exempt from income tax on the surplus for the year under sub-paragraph b (iii) of the first schedule of the Taxation Act.

**BASEFLOW (MALAWI)  
SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**(s) Financial instruments**

**Non- derivative financial assets**

BASEFLOW initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which BASEFLOW becomes a party to the contractual provisions of the

BASEFLOW derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial asset that is created or retained by BASEFLOW is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, BASEFLOW has a legal right to offset the amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

BASEFLOW has the following non- derivative financial assets:

- i) Financial assets at fair value through profit and loss
- i) Loans and receivables

**Financial assets at fair value through profit and loss**

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if BASEFLOW manages such investments and makes purchase and sale decisions based on their fair value in accordance with BASEFLOW's documented risk management or investment strategy. Upon initial recognition, attributable transactions costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or

## **BASEFLOW (MALAWI)**

### **SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

#### **Significant accounting policies (continued)**

##### **Financial instruments (continued)**

###### **Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables, including service concession receivables.

###### **Non- derivative financial liabilities**

BASEFLOW initially recognises subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss ) are recognised initially on the trade date at which BASEFLOW becomes a party to the contractual provisions of the instrument.

BASEFLOW derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, BASEFLOW has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. BASEFLOW has the following non-derivative financial liabilities: loans and borrowings, bank overdraft and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

###### **Impairment**

###### **Financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that the financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to BASEFLOW on the terms that BASEFLOW would not consider otherwise and indications that a debtor will enter bankruptcy.

## BASEFLOW (MALAWI)

### SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### Significant accounting policies (continued)

##### *Impairment (continued)*

BASEFLOW considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, BASEFLOW uses historical trends of the profitability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historic trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Non-financial assets*

The carrying amounts of BASEFLOW's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

BASEFLOW's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the cash generating unit to which the corporate assets belongs. An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## BASEFLOW (MALAWI)

### SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### 4 Critical accounting estimates and judgments

##### (a) Determination of fair values

A number of BASEFLOW's accounting policies and disclosures require the determination of fair value, for both financial and non financial assets and liabilities. Fair values have been determined for measurement and/ or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes to that asset or liability.

##### (b) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

##### (c) Financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

##### (d) Residual values and useful lives of property, plant and equipment

BASEFLOW tests annually whether the useful life and residual value of its property, plant and equipment were appropriate and in accordance with its accounting policy.

Residual values of property, plant and equipment are based in current estimates of the value of these assets at the end of their useful lives. The estimated residual values of the assets have been determined by the directors based on their knowledge of the industry.

##### (e) Estimated impairment of property, plant and equipment

BASEFLOW tests annually whether property, plant and equipment have suffered any impairment, in accordance with the accounting policy. The recoverable amount of the cash generating unit are determined based on the higher of value in use and the fair value less costs to sell. These calculations require the use of estimates.

## BASEFLOW (MALAWI)

### SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### 5 Risk management

##### Financial risk management

###### Overview

BASEFLOW's activities expose it to market risk (including currency risk, cash flow interest rate risk), credit and liquidity risk. BASEFLOW's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on BASEFLOW's financial performance. Risk management is carried out by management under policies approved by the board of directors. The board provides written principles for overall risk management.

###### Risk management

The board of directors has overall responsibility for the establishment and oversight of BASEFLOW's risk management framework. The board is responsible for developing and monitoring BASEFLOW (Malawi)'s risk management policies in their specified areas.

BASEFLOW's risk management policies are established to identify and analyse the risk faced by BASEFLOW, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and services offered. BASEFLOW, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The board is responsible for monitoring compliance with BASEFLOW's management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by

##### Financial risk factors

###### a) Credit risk

Credit risk to BASEFLOW is the risk that a counter-party will not be able to, or willing to, fulfil contractual obligations on a financial instruments that it is a party to.

Credit risk arises from cash and cash equivalents, amounts due from related parties and trade and other receivables.

###### Exposure to credit risk

The carrying amount of financial assets that represents the maximum credit exposure.

###### Financial asset

	2025	2024
Receivables	8,206,082	7,058,888
Staff fund	-	(728,345)
Cash and cash equivalents	231,314,566	348,272,938
	<u>239,520,648</u>	<u>354,603,481</u>

###### Credit quality of financial assets

Trade and other receivables comprise mainly of balances due from members for the services rendered. These balances are unsecured.

Cash and cash equivalents represent actual bank balances as at 31 December 2025.

## BASEFLOW (MALAWI)

### SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

#### Risk management (continued)

##### Financial risk management (continued)

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluation are performed on all customers requiring credit over a certain amount. At the reporting date there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each asset in the statement of financial position.

##### b) Liquidity risk

Liquidity risk is the risk that BASEFLOW will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. BASEFLOW's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to BASEFLOW reputation.

Management monitors rolling forecasts of BASEFLOW's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that BASEFLOW does not breach borrowing limits or covenants, where applicable, on any of its borrowing facilities. Such forecasting takes into consideration BASEFLOW's debt financing plans, covenants compliance, and, if applicable, external regulatory or legal requirements.

##### Exposure to liquidity risk

The carrying amount of financial liabilities that represents the maximum liquidity exposure.

Financial liabilities	2025	2024
Payables	22,577,115	20,651,452
Staff fund	1,503,345	-
	<u>24,080,460</u>	<u>20,651,452</u>

##### c) Market risk

Market risk is the risk that BASEFLOW's revenue or the value of its holding financial instruments would be affected by the changes in the market fundamentals such as foreign exchange rates, interest rates and equity prices.

##### Foreign exchange risk

BASEFLOW operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not BASEFLOW's functional currency.

As BASEFLOW had no significant financial instruments denominated in a foreign currency, BASEFLOW income and operating cash flows are substantially independent of changes in market security prices.

## **BASEFLOW (MALAWI)**

### **SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**

#### **Risk management (continued)**

##### **Price risk**

As BASEFLOW have significant publicly traded equity and commodity securities, BASEFLOW's income and operating cash flows are substantially independent of changes in market security prices.

##### **Cash flow and fair value interest rate risk**

BASEFLOW adopts a policy of ensuring that its exposure to changes in interest rates on significant borrowings is on a fixed rate basis except for loans which are based on rates announced by the Reserve Bank of Malawi on a periodic basis which reflects the average cost of term deposits in the financial system.

Financial instruments issued at fixed rates expose BASEFLOW to fair value interest rate risk. As at 31 December 2025, BASEFLOW had no financial instruments such as Treasury bills, bonds and listed equities that exposed it to fair value interest risk.

##### **Capital risk management**

BASEFLOW's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for the benefit of stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with other in the industry, BASEFLOW monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current borrowings as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

**BASEflow (MALAWI)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

(In Malawi Kwacha)

<b>6 Property, Plant and Equipment</b>	<b>Motor Vehicles</b>	<b>Furniture &amp; Fittings</b>	<b>Office &amp; field Equipment</b>	<b>Total</b>
<i>Cost</i>				
At 01 January 2024	12,900,000	8,481,227	51,475,059	72,856,286
Additions- Donated assets	34,000,000	-	2,950,000	36,950,000
At 31 December 2024	<u>46,900,000</u>	<u>8,481,227</u>	<u>54,425,059</u>	<u>109,806,286</u>
<i>Depreciation</i>				
At 01 January 2024	9,429,167	4,969,268	39,253,991	53,652,426
Charge for the year	4,641,667	848,123	6,577,387	12,067,177
At 31 December 2024	<u>14,070,834</u>	<u>5,817,391</u>	<u>45,831,378</u>	<u>65,719,603</u>
<i>Cost</i>				
At 01 January 2025	46,900,000	8,481,227	54,425,059	109,806,286
Additions	-	34,211,025	13,241,108	47,452,133
Disposals	-	(3,995,695)	-	(3,995,695)
At 31 December 2025	<u>46,900,000</u>	<u>38,696,557</u>	<u>67,666,167</u>	<u>153,262,724</u>
<i>Depreciation</i>				
At 01 January 2025	14,070,834	5,817,391	45,831,378	65,719,603
Charge for the year	8,768,750	2,779,855	7,563,159	19,111,764
Disposals	-	(2,262,431)	-	(2,262,431)
At 31 December 2025	<u>22,839,584</u>	<u>6,334,815</u>	<u>53,394,537</u>	<u>82,568,936</u>
<i>Carrying amounts</i>				
At 31 December 2025	<u>24,060,416</u>	<u>32,361,742</u>	<u>14,271,630</u>	<u>70,693,788</u>
At 31 December 2024	<u>32,829,166</u>	<u>2,663,836</u>	<u>8,593,681</u>	<u>44,086,683</u>
<b>7 Related parties</b>			<b>2025</b>	<b>2024</b>
<i>Due from</i>				
Baseflow Services Limited			<u>126,439,520</u>	<u>186,839,449</u>
<i>Due to</i>				
Baseflow Services Limited			<u>20,734,906</u>	<u>16,949,387</u>
A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged or not. The related party transactions were done at arms length. The related party's have common ownership and directorship.				
<b>8 Receivables</b>				
Prepayments			3,028,000	1,800,306
Staff debtors			5,178,082	5,258,582
			<u>8,206,082</u>	<u>7,058,888</u>
<b>9 Cash and cash equivalents</b>				
Standard Bank of Malawi- Local currency			11,548,897	8,744,373
Standard Bank of Malawi- GBP 1			9,724	225,616,626
Standard Bank of Malawi- GBP 2			59,499	57,179
FCB USD Account			30,119,914	17,647,699
FCB local account			1,342,375	135,164
Cash on hand			306,780	-
Ecobank USD			22,995,305	-
Ecobank GBP			118,570,375	-
Standard Bank Irish Aid society			3,564,294	50,280,234
CDHIB- Investment account			40,927,906	34,736,946
Investment account- Old Mutual			1,869,497	11,054,717
<b>Cash and cash equivalents in the statement of cash flows</b>			<u>231,314,566</u>	<u>348,272,938</u>

**BASEflow (MALAWI)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**  
(In Malawi Kwacha)

	<u>2025</u>	<u>2024</u>
<b>10 Capital fund</b>		
Donated assets	-	1,284,469
Depreciation charge for the year	-	(1,284,469)
	<u>-</u>	<u>-</u>
<b>11 Payables</b>		
Trade payables	-	5,565,874
Accruals and provisions	10,770,754	8,354,087
Taxation	11,806,361	6,731,491
	<u>22,577,115</u>	<u>20,651,452</u>
<b>12 Staff fund</b>		
Opening balance	728,345	1,478,665
Additions	775,000	870,000
Withdrawals		(1,620,320)
	<u>1,503,345</u>	<u>728,345</u>
<b>13 Grants received</b>		
Segal Family Foundation	101,609,697	207,290,838
IWMI	34,333,450	-
The Crap Foundation	128,750,250	-
Mulago Foundation	175,417,924	-
Hilton Foundation	-	209,890,726
Trocaire Irish Civil Society	303,090,042	329,612,849
Shockwave Foundation	128,750,250	-
University of Strathclyde	-	12,061,985
SADC GMI	45,471,893	2,488,749
ETH Zurich	63,951,914	19,542,605
James Hutton Institute	51,393,547	588,775,220
	<u>1,032,768,967</u>	<u>1,369,662,972</u>
<b>14 Other income</b>		
Exchange rate gains	9,336,684	21,537,403
Interest from investment	12,279,683	7,101,045
Rental income	1,950,000	-
Interest received	903,693	575,958
Other	6,287,486	632,000
	<u>30,757,546</u>	<u>29,846,406</u>
<b>15 Personnel costs</b>		
Salary and benefits	158,906,181	150,325,690
Medical insurance	17,252,000	14,362,000
Pension	21,834,441	19,897,492
PAYE	51,184,906	53,329,648
Intern pay	-	1,977,500
Consultancy fees	21,600,000	13,513,021
Staff funeral policy	-	400,863
Tevet levy	2,573,858	2,462,501
	<u>273,351,386</u>	<u>256,268,715</u>

**BASEflow (MALAWI)****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025***(In Malawi Kwacha)*

	<u>2025</u>	<u>2024</u>
<b>16 Programme support costs</b>		
Office repairs & Maint	53,673,628	-
Communications	508,000	7,615,149
Monthly fuel allocation	8,380,340	7,320,800
Utilities	125,000	-
Telephone	3,247,000	-
Subscriptions and renewals	2,563,312	1,965,000
Staff training and development	11,637,553	3,805,988
Printing	765,000	-
Office stationery	6,568,930	2,595,235
Office rentals	21,202,208	15,318,958
MV insurance	4,804,315	5,042,963
Motor vehicle maintainance	26,381,128	7,876,465
Office Security	2,823,975	-
Bank charges	3,770,533	3,212,952
Equipment insurance	-	3,076,457
Equipment maintainance	2,462,200	647,770
External Consultancy Fees	59,970,481	-
Videography costs	632,300	-
Internet	14,273,819	-
Local & international travel	57,655,285	29,391,198
Miscellenious expenses	19,310,195	15,566,109
Provision for accouting fees	8,000,000	6,000,000
	<u>308,755,202</u>	<u>109,435,044</u>
<b>17 Communication</b>		
Printing of books and manuals	1,078,640	426,800
Videography costs	13,693,330	8,431,158
Production of posters	680,000	-
	<u>15,451,970</u>	<u>8,857,958</u>
<b>18 Climate resilience</b>		
Flood response	-	17,373,910
Climate resilience	-	-
	<u>-</u>	<u>17,373,910</u>
<b>19 Research and innovation</b>		
Data repository	-	12,757,960
Meeting expenses	2,762,500	3,327,331
External consultancy fees	-	7,342,640
Monitoring wells and rehabilitation	38,338,490	-
Travel and accommodation	7,446,520	-
Artesian well capping costs	10,399,337	-
Fuel	1,835,200	-
	<u>60,782,047</u>	<u>23,427,931</u>

**BASEflow (MALAWI)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**  
*(In Malawi Kwacha)*

	2025	2024
<b>20 Water resource management</b>		
Accommodation & Travel	24,883,510	32,431,967
Building materials	2,122,078	79,908,223
Consultancy fees	-	7,900,917
Enumerator fees	-	4,788,750
Meeting expenses	430,975	2,673,585
Labour fees	3,787,200	-
Photography & Videography	580,000	1,379,000
	<u>31,803,763</u>	<u>129,082,442</u>
<b>21 Water mapping, governance &amp; advocacy</b>		
Advocacy	-	12,366,446
Dissemination	-	923,807
Field expenses	-	382,760
Meeting expenses	-	123,675
	<u>-</u>	<u>13,796,688</u>
<b>22 Capacity building</b>		
Meeting expenses	10,459,564	12,644,640
Car hire	1,080,000	-
Allowances and accommodation	28,310,897	-
Support to the Ministry	11,432,460	-
Refreshments	5,411,335	-
Facilitation fees	5,492,975	1,200,000
Fuel refunds	6,314,049	-
Training of Government staff	-	11,426,520
Train & Support of mwater users	6,855,640	5,316,060
Travel expenses	8,402,850	10,463,870
	<u>83,759,770</u>	<u>41,051,090</u>
<b>23 Training and workshops</b>		
Accommodation and meals expense	-	10,182,800
Travel/Fuel reimbursements	-	1,308,195
	<u>-</u>	<u>11,490,995</u>
<b>24 Monitoring and evaluation</b>		
Meeting expenses	8,210,438	828,380
Supervisory costs	4,677,250	9,209,552
	<u>12,887,688</u>	<u>10,037,932</u>
<b>25 Accountability project</b>		
Borehole Forensics	-	-
Dissemination	-	3,257,750
	<u>-</u>	<u>3,257,750</u>
<b>26 Support to Ministry and Regulators</b>		
Sanitation of Drillers	-	26,637,668
Field Assessment	-	3,016,140
Dissemination of Water A	-	26,291,290
Conducting Needs Ass	-	10,085,040
	<u>-</u>	<u>66,030,138</u>

**BASEflow (MALAWI)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

*(In Malawi Kwacha)*

	<u>2025</u>	<u>2024</u>
<b>27 Borehole forensics and rehabilitations</b>	<b>24,490,155</b>	<b>31,235,040</b>
Borehole assessments costs	30,936,346	-
Borehole drilling	19,474,258	-
Borehole insurance	26,509,320	-
Borehole reticulation costs	56,895,070	192,886,233
Borehole rehabilitation costs	2,373,129	-
Equipment's and gadgets	65,940,077	3,110,939
Building materials	8,593,868	20,115,088
Field expenses	9,478,850	602,000
Labour fees	300,000	-
Meetings expenses	2,204,262	-
Travel	12,047,295	-
Spare parts	<u>259,242,630</u>	<u>247,949,300</u>
<b>28 Data Governance</b>		
Data Collection Tools	9,991,000	-
Deliver mWater training session	273,400	-
Facilitation Fees	440,300	-
Fuel for field activities	3,068,650	-
Train stakeholders in mwater	6,236,118	-
Travel/Fuel reimbursements	872,670	-
	<u>20,882,138</u>	<u>-</u>
<b>29 Extra curricular expenses</b>		
Allowances (DSA)	10,078,829	-
Accommodation	-	73,536,693
IWMI	50,291,843	-
Workshop expenses	18,418,666	-
	<u>78,789,338</u>	<u>73,536,693</u>
<b>30 SFF Expenses</b>		
External consultancy fees	-	14,010,460
Telephone and Internet expenses	2,200,000	7,645,810
Meeting and workshops	5,373,134	4,268,445
Motor vehicle repairs	509,260	690,000
Office cleaning	-	440,000
Printing	-	347,569
Repairs and maintenance	-	739,000
Office stationery	-	467,250
Venue costs	2,354,640	-
Workshop costs	6,270,920	-
Subscription and renewals	-	1,921,040
Sundry expenses	4,130,910	3,876,179
Travel expenses	7,647,980	15,745,867
Uniforms	-	1,332,443
	<u>28,486,844</u>	<u>51,484,063</u>

**BASEflow (MALAWI)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2025**

*(In Malawi Kwacha)*

	<u>2025</u>	<u>2024</u>
<b>31 Community stewardship</b>		
Accommodation expenses	3,677,920	-
Farm Implements	12,840,299	-
Security fees	160,000	-
Travel expenses	1,249,880	-
	<u>17,928,099</u>	<u>-</u>

**32 Contingent liability**

At the date of this report, no asset of BASEflow has been charged to secure the liabilities of any other company or organization since the end of the financial year. No contingent liability or any other liability has become enforceable or is likely to become enforceable within the succeeding period of twelve months which will or may substantially affect the ability of BASEflow to meet its obligations as and when they fall due.

At the date of the report, there are no contingent liabilities, which have arisen since the end of the financial year and there are no circumstances not otherwise dealt with, within this report or the accounts which render any amounts stated in the accounts misleading.

**32 Capital commitments**

As at 31 December 2025 there were no capital commitments authorized.

**33 Subsequent events**

There were no subsequent events that required disclosure in or adjustments to the financial statements.

**34 Comparative Information**

Comparative information has been restated where necessary to facilitate comparison.