**Revised Template 30th June 2021**



**International Financial Reporting Standards (IFRS)**

**Annual Financial Reporting Template for**

**Commercial Government Owned Entities**

**KENYA CORPORATION**

*(Indicate actual name of the entity)*

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2021**

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

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# KEY ENTITY INFORMATION

**Background information**

The *entity* was established by the XXX Act of Parliament on (date…). At cabinet level, the *entity* is represented by the Cabinet Secretary for …, who is responsible for the general policy and strategic direction of the *entity*. The *entity* is domiciled in Kenya and has branches in xxx, xxx and xxx.

*(The reporting entity should refer to the relevant legislation under which it is established)*

**Principal Activities**

The principal activity of the *entity* is to …

***(Under this section, the entity should include its key activities and a summary of its vision, mission***

***and core objectives)***

**Directors**

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

1. XXX - Chairman - Appointed on ….
2. XXX - Chief Executive - Appointed on ….
3. XXX - Appointed on ….
4. XXX - Alternate to …
5. XXX - Left on ….

**Corporate Secretary**

Mr. XXXX

P.O. Box …

Nairobi

**Registered Office**

XXXX Building/House/Plaza

XXXX Avenue/Road/Highway

P.O. Box …

Nairobi, KENYA

**Corporate Headquarters**

P.O. Box XXXXX

XXX Building/House/Plaza

XXX Avenue/Road/Highway

Nairobi, KENYA

**Corporate Contacts**

Telephone: (254) XXXXXXXX

E-mail: XXXXXXXX.go.ke

Website: www.go.ke

**Corporate Bankers**

1. Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

Nairobi, Kenya

1. Other Bankers (List as appropriate)

…

…

**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**

1. The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

1. XXX Advocates

…

...

…

# THE BOARD OF DIRECTORS

|  |  |  |
| --- | --- | --- |
| **Ref** | **Directors** | **Details** |
|  | Insert each Director’s passport-size photo and name, and key profession/academic qualifications | Provide a concise description of each Director’s date of birth, key qualifications, and work experience. Indicate whether the director is independent or an executive director and which committee of the Board the director chairs where applicable. |
|  | Director 2 |  |
|  | Director 3 |  |
|  | Director 4 |  |
|  | CEO/MD/DG |  |
|  | Entity Secretary | Indicate whether the secretary is a member of ICS as required under the Mwongozo code in addition to their other details. |
|  | Etc. |  |

# MANAGEMENT TEAM

|  |  |  |
| --- | --- | --- |
| **Ref** | **Management** | **Details** |
|  | Insert each key manager’s passport-size photo and name, and key profession/academic qualifications | Indicate the main area of responsibility – without details |
|  | Manager 2 |  |
|  | Manager 3 |  |
|  | Manager 4 |  |
|  | Etc. |  |
|  | ***Note:*** *The CEO and the Entity Secretary will feature both under the ‘Board’ and ‘Management’.* | |

# MANAGEMENT DISCUSSION AND ANALYSIS

Two- three pages

***(Under this section, the management gives a report on the operational and financial performance of the organisation for the last three to five year period, entity’s key projects or investments decision implemented or ongoing, entity’s compliance with statutory requirements, major risks facing the organisation, material arrears in statutory and other financial obligations, review of the economy, review of the sector, future developments and any other information considered relevant to the users of the financial statements.) The management should make use of tables, graphs, pie charts and other descriptive tools to make the information as understandable as possible****.)*

# STATEMENT OF DIRECTORS’ RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (*section 14 of the State Corporations Act, - (entities should quote the applicable legislation under which they are regulated))* require the Directors to prepare financial statements in respect of that *entity*, which give a true and fair view of the state of affairs of the *entity* at the end of the financial year/period and the operating results of the *entity* for that year/period. The Directors are also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *entity*. The Directors are also responsible for safeguarding the assets of the *entity*.

The Directors are responsible for the preparation and presentation of the *entity’s* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2021. 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 *entity*; (v)selecting and applying appropriate accounting policies; and (vi)Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the *entity’s* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) – *entities should quote applicable legislation as indicated under which they are regulated)* .

**STATEMENT OF DIRECTORS’ RESPONSIBILITIES (Continued)**

The Directors are of the opinion that the *entity’s* financial statements give a true and fair view of the state of *entity’s* transactions during the financial year ended June 30, 2021, and of the *entity’s* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity’s* 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 *entity* 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 *entity’s* financial statements were approved by the Board on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 2021 and signed on its behalf by:

**Signature Signature**

**Name Name**

**Chairperson of the Board/Council Accounting officer**

# REPORT OF THE INDEPENDENT AUDITORS ON THE ENTITY (specify entity name)

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER/DECEMBER /MARCH/JUNE XX, 20XX

|  | Note | Period ended Sep\*/Dec\*/Mar\*/Jun\* | Comparative Period |
| --- | --- | --- | --- |
|  |  | **Kshs** | **Kshs** |
| **REVENUES** |  |  |  |
| Revenue | 6 | XXX | XXX |
| Cost of sales | 7 | (XXX) | (XXX) |
| Gross profit |  | **XXX** | **XXX** |
| **Other Income** |  |  |  |
| Grants from the National Government | 8 | XXX | XXX |
| Finance income | 9 | XXX | XXX |
| Other Income | 10 | XXX | XXX |
| Other gains/(losses) | 11 | XXX | XXX |
| **TOTAL REVENUES** |  | **XXX** | **XXX** |
|  |  |  |  |
| **OPERATING EXPENSES** |  |  |  |
| Administration Costs | 12 | XXX | XXX |
| Selling and Distribution Costs | 13 | XXX | XXX |
| Finance Costs | 14 | XXX | XXX |
| **TOTAL OPERATING EXPENSES** |  | **XXX** | **XXX** |
|  |  |  |  |
| **PROFIT/(LOSS) BEFORE TAXATION** |  | **XXX** | **XXX** |
|  |  |  |  |
| **INCOME TAX EXPENSE/(CREDIT)** | **16** | **XXX** | **XXX** |
|  |  |  |  |
| **PROFIT/(LOSS) AFTER TAXATION** |  | **XXX** | **XXX** |
|  |  |  |  |
| Earnings per share – basic and diluted | 17 | XXX | XXX |
| Dividend per share | 18 | XXX | XXX |
|  |  |  |  |
| **OTHER COMPREHENSIVE INCOME** |  |  |  |
| **Profit/ (Loss) after taxation** |  | XXX | XXX |
| Surplus or deficit on revaluation of PPE |  | XXX | XXX |
| Remeasurement of net defined benefit liability |  | XXX | XXX |
| Fair value gain/(loss) on investments in equity instruments designated as at FVTOCI |  | **XXX** | **XXX** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** |  | XXX | XXX |

*Sep\* -This relates to transactions undertaken from 1st July to 30th September.*

*Dec\* - This relates to transactions undertaken from 1st July to 31st December.*

*March\*- This relates to transactions undertaken from 1st July to 31st March.*

*June\* - This relates to transactions undertaken from 1st July to 30th June*

*.*

# STATEMENT OF FINANCIAL POSITION AS AT SEP/DEC/MARCH/JUNE XX, 20XX

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Note** | Period ended Sep\*/Dec\*/Mar\*/Jun\* | Comparative Period |
|  |  | **Kshs** | **Kshs** |
| **ASSETS** |  |  |  |
| **Non-Current Assets** |  |  |  |
| Property, plant and equipment | 19 | XXX | XXX |
| Intangible assets | 20 | XXX | XXX |
| Investment property | 21 | XXX | XXX |
| Right- of -use assets | 22 | XXX | XXX |
| Fixed interest investments | 23 | XXX | XXX |
| Quoted investments | 24 | XXX | XXX |
| Unquoted investments | 25 | XXX | XXX |
| Long term Receivables | 27 | XXX | XXX |
| **Total Non-Current Assets** |  | **XXX** | **XXX** |
|  |  |  |  |
| **Current Assets** |  |  |  |
| Inventories | 26 | XXX | XXX |
| Trade and other receivables | 27(a) | XXX | XXX |
| Tax recoverable | 28 | XXX | XXX |
| Short-term deposits | 29 | XXX | XXX |
| Bank and cash balances | 30 | XXX | XXX |
| **Total Non-Current Assets** |  | **XXX** | **XXX** |
|  |  |  |  |
| **EQUITY AND LIABILITIES** |  |  |  |
| **Capital and Reserves** |  |  |  |
| Ordinary share capital | 31 | XXX | XXX |
| Revaluation reserve | 32 | XXX | XXX |
| Fair value adjustment reserve | 33 | XXX | XXX |
| Retained earnings | 34 | XXX | XXX |
| Proposed dividends |  | XXX | XXX |
| **Capital and Reserves** |  | **XXX** | **XXX** |
|  |  |  |  |
| **Non-Current Liabilities** |  |  |  |
| Borrowings | 35 | XXX | XXX |
| Deferred tax liability | 36 | XXX | XXX |
| Lease liabilities | 37 | XXX | XXX |
| Deferred Income |  | XXX | XXX |
| **Total Non-Current Liabilities** |  | **XXX** | **XXX** |
|  |  |  |  |
| **Current Liabilities** |  |  |  |
| Borrowings | 35 | XXX | XXX |
| Trade and other payables | 38 | XXX | XXX |
| Retirement benefit obligations | 39 | XXX | XXX |
| Provisions | 40 | XXX | XXX |
| Dividends payable | 41 | XXX | XXX |
| Tax payable |  | XXX | XXX |
| **Total Current Liabilities** |  | **XXX** | **XXX** |
|  |  |  |  |
| **TOTAL EQUITY AND LIABILITIES** |  | **XXX** | **XXX** |

The financial statements were approved by the Board on \_\_\_\_\_\_\_\_\_\_\_\_\_\_ 2021 and signed on its behalf by:

Director General/C.E. O/M. D Head of Finance Chairman of the Board

**Name: Name:**

**Name: ICPAK M/NO:**

1. STATEMENT OF CHANGES IN EQUITY FOR THE **PERIOD ENDED SEP/DEC/MARCH/JUNE XX 20XX**

|  | **notes** | **Ordinary share capital** | **Revaluation reserve** | **Fair value adjustment reserve** | **Retained earnings** | **Proposed dividends** | **Capital/**  **Development Grants/Fund** | **Total** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **As at the beginning of the previous period** |  | **xxx** | **Xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
| New capital issued |  | xxx |  |  |  |  |  | xxx |
| Revaluation gain |  | - | Xxx | - | - | - | - | xxx |
| Transfer of excess depreciation on revaluation |  | - | (xxx) | - | xxx | - | - | - |
| Deferred tax on excess depreciation |  | - | Xxx | - | - | - | - | xxx |
| Fair value adjustment on quoted investments |  | - | - | xxx | - | - | - | xxx |
| Profit for the year |  | - | - | - | xxx | - | - | xxx |
| Capital/Development grants received during the year |  | - | - | - | - | - | xxx | xxx |
| Transfer of depreciation/amortisation from capital fund to retained earnings |  | - | - | - | xxx | - | (xxx) | - |
| Dividends paid – prior year |  | - | - | - | - | (xxx) | (xxx) | (xxx) |
| Interim dividends paid – current year |  | - | - | - |  | (xxx) | - | (xxx) |
| Proposed final dividends |  | - | - | - | (xxx) | xxx | xxx | - |
| **As at the end of the previous period** |  | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
|  |  |  |  |  |  |  |  |  |
| **As at the beginning of the current period** |  | **xxx** | **Xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
| Issue of new share capital |  | xxx | Xxx | xxx | xxx | xxx | xxx | xxx |
| Revaluation gain |  | - | Xxx | - | - | - | - | xxx |
| Transfer of excess depreciation on revaluation |  | - | (xxx) | - | xxx | - | - | - |
| Deferred tax on excess depreciation |  | - | Xxx | - | - | - | - | xxx |
| Fair value adjustment on quoted investments |  | - | - | xxx | - | - | - | xxx |
| Profit for the year |  | - | - | - | xxx | - | - | xxx |
| Capital/Development grants received during the year |  | - | - | - | - | - | xxx | xxx |
| Transfer of depreciation/amortisation from capital fund to retained earnings |  | - | - | - | xxx | - | (xxx) | - |
| Dividends paid – prior year |  | - | - | - | - | (xxx) | (xxx) | (xxx) |
| Interim dividends paid – current year |  | - | - | - | (xxx) | - | - | (xxx) |
| Proposed final dividends |  | - | - | - | (xxx) | xxx | xxx | - |
| **As at the end of current period** |  | **xxx** | **Xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |

***Note:***

1. ***For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.***
2. ***Prior year adjustment should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done.***
3. **STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED SEPT/DEC /MARCH/JUNE XX, 20XX**

|  | **Note** | Period ended Sep\*/Dec\*/Mar\*/Jun\* | Comparative Period |
| --- | --- | --- | --- |
|  |  | **Kshs** | **Kshs** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** |  |  |  |
|  |  |  |  |
| **CASH GENERATED FROM/(USED IN) OPERATIONS** | 42 | XXX | XXX |
| Interest received | 42(c) | XXX | XXX |
| Interest paid | 42(c) | (XXX) | (XXX) |
| Dividends paid | 41 | (XXX) | (XXX) |
| Taxation paid | 28 | (XXX) | (XXX) |
| **NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES** |  | **XXX** | **XXX** |
|  |  |  |  |
| **CASH FLOWS FROM INVESTING ACTIVITIES** |  |  |  |
| Purchase of property, plant and equipment | 19 | (XXX) | (XXX) |
| Proceeds from disposal of property, plant and equipment |  | XXX | XXX |
| Purchase of intangible assets | 20 | (XXX) | (XXX) |
| Purchase of investment property | 21 | (XXX) | (XXX) |
| Purchase of quoted investments | 25 | (XXX) | (XXX) |
| Proceeds from disposal of quoted investments |  | XXX | XXX |
| **NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES** |  | **XXX** | **XXX** |
|  |  |  |  |
| **CASH FLOWS FROM FINANCING ACTIVITIES** |  |  |  |
| Proceeds from issues of new share capital |  | XXX | XXX |
| Proceeds from borrowings | 35 | XXX | XXX |
| Repayment of borrowings | 35 | (XXX) | (XXX) |
| Dividends paid |  | (XXX) | (XXX) |
| **NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES** |  | **XXX** | **XXX** |
| **INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** |  | **XXX** | **XXX** |
|  |  |  |  |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF QUARTER** |  | **XXX** | **XXX** |
|  |  |  |  |
| Effects of foreign exchanges rate fluctuations |  | XXX | XXX |
|  |  |  |  |
| **CASH AND CASH EQUIVALENTS AT END OF THE QUARTER** | **42** | **XXX** | **XXX** |

1. **STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS** **FOR THE PERIOD ENDED SEPTEMBER/DECEMBER /MARCH/JUNE XX, 20XX**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Original** **budget** | **Adjustments** | **Final** **budget** | **Actual** **on comparable basis** | **% of utilisation** |
|  | a | b | c=a+b | d | e=d/c % |
| **Revenue** | **Kshs** | **Kshs** | **Kshs** | **Kshs** | Xxx% |
| Sale of goods | XXX | - | XXX | XXX | Xxx% |
| Sale of services | XXX | (XXX) | XXX | XXX | Xxx% |
| Transfers from the Government | XXX | (XXX) | XXX | XXX | Xxx% |
| Donations in kind |  |  |  |  | Xxx% |
| Finance Income | XXX | - | XXX | XXX | Xxx% |
| Other income | XXX | XXX | XXX | XXX | Xxx% |
| **Total** **income** | **XXX** | **(XXX)** | **XXX** | **XXX** | Xxx% |
| **Expenses** |  |  |  |  | Xxx% |
| Compensation of employees | XXX | - | XXX | XXX | Xxx% |
| Use of goods and services | XXX | (XXX) | XXX | XXX | Xxx% |
| Finance cost | XXX | (XXX) | XXX | XXX | Xxx% |
| Rent paid | XXX | (XXX) | XXX | XXX | Xxx% |
| Taxation paid | XXX | XXX | XXX | XXX | Xxx% |
| Other payments | XXX | - | XXX | XXX | Xxx% |
| Grants and subsidies paid | XXX | - | XXX | XXX | Xxx% |
| **Total** **expenditure** | **XXX** | **(XXX)** | **XXX** | **XXX** | Xxx% |
| **Surplus** **for** **the** **period** | **XXX** | **XXX** | **XXX** | **XXX** | Xxx% |

***Note****:* ***PFM Act section 81(2) ii and iv requires a National Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available.***

***However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.***

***Budget notes: Provide explanation of differences between actual and budgeted amounts (10% over/ under) Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis(budget is cash basis, statement of financial performance is accrual) provide a reconciliation.***

# NOTES TO THE FINANCIAL STATEMENTS

1. **General Information**

xxx entity is established by and derives its authority and accountability from xxx Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity’s principal activity is xxx.

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.

1. **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 entity’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 *Note xx.*

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act *(include any other applicable legislation),* and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **Application of New and Revised International Financial Reporting Standards (IFRS)**
2. ***New and amended standards and interpretations in issue effective in the year ended 30 June 2022*.**

| **Title** | **Description** | **Effective Date** |
| --- | --- | --- |
| IAS 39-Financial Instruments:  Recognition and Measurement | IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments. | The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted. |
| IFRS 4- Insurance Contracts (Superseded) | IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts. | The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted. |
| IFRS 7- Financial Instrument Disclosures | IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters. | The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted. |
| IFRS 16- Leases | IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. | The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted. |

***The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows….***

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

1. ***New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022*.**

| **Title** | **Description** | **Effective Date** |
| --- | --- | --- |
| IAS 1 — Presentation of Financial Statements | IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. | The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. |
| IAS 12 — Income Taxes | IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. | Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. |
| IAS 16 — Property, Plant and Equipment | IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life. | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. |
| IAS 37 — Provisions, Contingent Liabilities and Contingent Assets | IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable). | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. |
| IAS 41 — Agriculture | IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell. | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. |
| IFRS 1 — First-time Adoption of International Financial Reporting Standards | IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period. | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. |
| IFRS 3 — Business Combinations | IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date. | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier. |
| IFRS 17 — Insurance Contracts | IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. | The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.] |

***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.***

1. ***Early adoption of standards***

The entity did not early – adopt any new or amended standards in year 2021/2022

**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

1. **Summary of Significant Accounting Policies**

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

1. **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.

* 1. **Revenue from the sale of goods and services** is recognised in the year in which the *entity* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
  2. **Grants from National Government** are recognised in the year in which the *entity* 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.
  3. **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
  4. **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
  5. **Rental income** is recognised in the income statement as it accrues using the effective interest implicit in lease agreements.
  6. **Other income** is recognised as it accrues.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies**

1. **In-kind contributions**

In-kind contributions are donations that are made to the *entity* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *entity* 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.

1. **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.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies**

1. **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 cots of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line 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:

Freehold Land Nil

Buildings and civil works 25 years or the unexpired lease period

Plant and machinery 12.5 years

Motor vehicles, including motor cycles 4 years

Computers and related equipment 3 years

Office equipment, furniture and fittings 12.5 years

A full year’s depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies**

1. **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.

1. **Amortisation and impairment of intangible assets**

Amortisation 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 recognised so that the asset is written down immediately to its estimated recoverable amount.

1. **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 on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies**

1. **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 consolidated statement of financial position.

1. **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 income upon the bond’s disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

1. **Quoted investments**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies**

1. **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.

1. **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.

1. **Trade and other receivables**

Trade and other receivables are recognised at fair values 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies**

1. **Taxation**
   1. **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 Entity 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 statement of financial performance.

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 Entity operates and generates taxable income.

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.

1. **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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies**

**Deferred Tax**

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

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies**

1. **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.

1. **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 the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

1. **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 amortised cost using the effective interest rate method. Amortised 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 capitalised as part of the cost of the project.

1. **Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortised 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.

1. **Retirement benefit obligations**

The entity operates a defined contribution scheme for all full-time employees from July 1, 20XX. The scheme is administered by an in-house team 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 Kshs.XXX per employee per month.

1. **Provision for staff leave pay**

Employees’ entitlements to annual leave are recognised as they accrue at the employees. At provision is made for the estimated liability for annual leave at the reporting date.

1. **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 recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies**

1. **Budget information**

The original budget for FY 2021-2022 was approved by the National Assembly on xxxx. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of xxxxx on the 2020-2021 budget following the governing body’s approval.

The entity’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 financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

1. **Service concession arrangements**

The Entity 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 Entity 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 Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

1. **Comparative figures**

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

1. **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, 2022.

1. **Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Entity'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.

State all judgements, estimates and assumptions made: e.g

**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

1. **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 Entity 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 Entity. Such changes are reflected in the assumptions when they occur.

1. **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 from disposal:

* The condition of the asset based on the assessment of experts employed by the Entity
* 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

1. **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

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.

(include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

**NOTES TO THE FINANCIAL STATEMENTS (Continues)**

1. **Revenue**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| Sales of goods | XXX | XXX |
| Sales of services | XXX | XXX |
| **Total** | **XXX** | **XXX** |

*[Provide short appropriate explanation as necessary. Explain significant variances from prior period]*

1. **Cost of Sales**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| Cost of sales on goods | XXX | XXX |
| Cost of sales on services | XXX | XXX |
| **Total** | **XXX** | **XXX** |

*Explain significant variances from prior period*

1. **Grants from National Government**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| Reccurrent grants received | XXX | XXX |
| Capital grants realized (see note below) | XXX | XXX |
| In Kind contributions/ donations | XXX | XXX |
| **Total** | **XXX** | **XXX** |

***(Note: For capital/development grants the amount recognized in the statement of comprehensive income should be the depreciation/amortisation equivalents for assets that have been acquired using such capital/development grant as per IAS 20).***

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

*[Provide a detailed analysis of grants received from the Government in the table below:]*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name of the Entity sending the grant** | **Amount recognized in the Statement of Comprehensive Income**  **KShs** | **Amount deferred under deferred income**  **KShs** | **Amount recognised in capital fund.**  **KShs** | **Total grant income during the year**  **KShs** | **2021-2022**  **KShs** |
| Ministry/State Department | xxx | xxxx | xxxx | xxxx | xxxx |
| Xxx Ministry | xxx | xxxx | xxxx | xxxx | xxxx |
| **Total** | **xxx** | **xxxx** | **xxxx** | **xxxx** | **xxxx** |

1. **Finance Income**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
| **Description** | **Kshs** | **Kshs** |
| Interest income from treasury bonds | XXX | XXX |
| Interest income from treasury bills | XXX | XXX |
| Interest from receivables | XXX | XXX |
| Interest from commercial banks and financial institutions | XXX | XXX |
| Interest on staff loans | XXX | XXX |
| Dividends | XXX | XXX |
| **Total** | **XXX** | **XXX** |

*[Provide short appropriate explanations as necessary}*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **Other Income**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
| **Description** | **Kshs** | **Kshs** |
| Sale of tender documents | XXX | XXX |
| Fines and penalties | XXX | XXX |
| Cash donations | XXX | XXX |
| In kind donations | XXX | XXX |
| Insurance compensation | XXX | XXX |
| Rental income | XXX | XXX |
| Other miscellaneous receipts | XXX | XXX |
| **Total** | **XXX** | **XXX** |

1. **Other Gains and Losses**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
| **Description** | **Kshs** | **Kshs** |
|  |  |  |
| Foreign exchange gains / (losses) | XXX | XXX |
| Loss/gain on disposal on sale of investments | XXX | XXX |
| Gain on sale of fixed assets | XXX | XXX |
| Fair value gain or losses on revaluation of investment property | XXX | XXX |
| Revaluation losses on inventory | XXX | XXX |
| Unrealized foreign exchange gains/(losses) | XXX | XXX |
| **Total** | **XXX** | **XXX** |

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **Administration Costs**

|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
| --- | --- | --- |
| Description | **Kshs** | **Kshs** |
|  |  |  |
| Staff costs (note 12b) | XXX | XXX |
| Directors’ emoluments | XXX | XXX |
| Electricity and water | XXX | XXX |
| Communication services and supplies | XXX | XXX |
| Transportation, travelling and subsistence | XXX | XXX |
| Advertising, printing, stationery and photocopying | XXX | XXX |
| Rent expenses | XXX | XXX |
| Staff training expenses | XXX | XXX |
| Hospitality supplies and services | XXX | XXX |
| Insurance costs | XXX | XXX |
| Bank charges and commissions | XXX | XXX |
| Office and general supplies and services | XXX | XXX |
| Auditors’ remuneration | XXX | XXX |
| Legal fees | XXX | XXX |
| Consultancy fees | XXX | XXX |
| Licenses and permits | XXX | XXX |
| Repairs and maintenance | XXX | XXX |
| Provision for bad and doubtful debts | XXX | XXX |
| Inventory provisions | XXX | XXX |
| Depreciation | XXX | XXX |
| Amortization | XXX | XXX |
| Other operating expenses | XXX | XXX |
| **Total** | **XXX** | **XXX** |

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12b Staff Costs**

| Description | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
| --- | --- | --- |
| **Kshs** | **Kshs** |
| Salaries and allowances of permanent employees | XXX | XXX |
| Wages of temporary employees | XXX | XXX |
| Medical insurance schemes | XXX | XXX |
| Employer’s contributions to national social security schemes | XXX | XXX |
| Employer’s contributions to pension scheme | XXX | XXX |
| Leave pay | XXX | XXX |
| Gratuity provisions | XXX | XXX |
| Fringe Benefit tax | XXX | XXX |
| Staff welfare | XXX | XXX |
| **Total** | **XXX** | **XXX** |
|  |  |  |
| **The average number of employees at the end of the year was:** |  |  |
| Permanent employees – Management | XXX | XXX |
| Permanent employees – Unionisable | XXX | XXX |
| Temporary and contracted employees | XXX | XXX |
| **Total** | **XXX** | **XXX** |

*[Provide short appropriate explanations as necessary]*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **Selling and distribution costs**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
| **Description** | **Kshs** | **Kshs** |
|  |  |  |
| Salaries and wages of sales personnel | XXX | XXX |
| Marketing and promotional expenses | XXX | XXX |
| Sales commissions | XXX | XXX |
| Sales discounts and rebates | XXX | XXX |
| Other selling and distribution costs | XXX | XXX |
| **Total** | **XXX** | **XXX** |

*[Provide short appropriate explanations as necessary]*

1. **Finance costs**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
| **Description** | **Kshs** | **Kshs** |
|  |  |  |
| Interest expense on loans | XXX | XXX |
| Interest expense on bank overdrafts | XXX | XXX |
| Interest on lease liabilities | XXX | XXX |
| **Total** | **XXX** | **XXX** |

*[Provide short appropriate explanations as necessary]*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **Operating profit/ (loss)**

|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
| --- | --- | --- |
|  | **Kshs** | **Kshs** |
| **The operating profit/(loss) is arrived at after charging/(crediting):** |  |  |
| Staff costs (note 12b) | XXX | XXX |
| Depreciation of property, plant and equipment | XXX | XXX |
| Depreciation of right-of-use asset | XXX | XXX |
| Amortisation of intangible assets | XXX | XXX |
| Provision for bad and doubtful debts | XXX | XXX |
| Directors’ emoluments – fees | XXX | XXX |
| - other | XXX | XXX |
| Auditors’ remuneration - current year fees | XXX | XXX |
| - prior year under-provision | XXX | XXX |
| Loss on disposal of property, plant and equipment | XXX | XXX |
| Net foreign exchange loss | XXX | XXX |
| Interest receivable | (XXX) | (XXX) |
| Interest payable | XXX | XXX |
| Rent receivable | (XXX) | (XXX) |

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **Income Tax Expense/(Credit)**
2. Current taxation

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| Current taxation based on the adjusted profit for the year at 30% | XXX | XXX |
| Current tax: prior year under/(over) provision | XXX | XXX |
| Current year deferred tax charge | XXX | XXX |
| Prior year under-provision for deferred tax | XXX | XXX |
| **Total** | **XXX** | **XXX** |

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

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| Profit before taxation | XXX | XXX |
|  |  |  |
| Tax at the applicable tax rate of 30% | XXX | XXX |
| Current tax | XXX | XXX |
| Prior year under-provision | XXX | XXX |
| Tax effects of expenses not deductible for tax purposes | XXX | XXX |
| Tax effects of income not taxable | XXX | XXX |
| Tax effects of excess capital allowances over depreciation/amortization | XXX | XXX |
| Deferred tax prior year over-provision | XXX | XXX |
| **Total** | **XXX** | **XXX** |

*[Provide short appropriate explanations as necessary]*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **Earnings Per Share**

The earnings per share is calculated by dividing the profit after tax of Kshs.XXX (2020-2021: Kshs.XXX) by the average number of ordinary shares in issue during the year of XXX (2020-2021: XXX). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

1. **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). At the AGM to be held before the end of 2021, a final dividend in respect of the year ended June 30, 2021 of Kshs. XXX (2020: Kshs. XXX) for every ordinary share of par value of Kshs.XXX is to be proposed. An interim dividend of Kshs. XXX (2020: Kshs. XXX) for every ordinary share of par value of Kshs.XXX was declared and paid during the year. This will bring the total dividend for the year to Kshs.XXX (2020: Kshs.XXX).

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **Property, Plant and Equipment**

| **2021** | **Freehold land** | **Buildings & civil works** | **Plant and machinery** | **Motor vehicles, including, motor cycles** | **Computers & related equipment** | **Office equipment, furniture & fittings** | **Capital work in progress** | **Total** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **COST OR VALUATION** |  |  |  |  |  |  |  |  |
| At July 1, 2021 | Xxx | xxx | Xxx | xxx | xxx | xxx | xxx | xxx |
| Additions | Xxx | xxx | Xxx | xxx | xxx | xxx | xxx | xxx |
| Transfers | - | xxx | - | - | - | - | (xxx) | - |
| Disposals | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) |
| **At June 30, 2022** | **Xxx** | **xxx** | **Xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
| **DEPRECIATION** |  |  |  |  |  |  |  |  |
| At July 1, 2021 | Xxx | xxx | Xxx | xxx | xxx | xxx | xxx | xxx |
| Charge for the year | Xxx | xxx | Xxx | xxx | xxx | xxx | xxx | xxx |
| Impairment loss | xxx | xxx | Xxx | xxx | xxx | xxx | xxx | xxx |
| Eliminated on disposal | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) |
| **At June 30, 2022** | **xxx** | **xxx** | **Xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
| **NET BOOK VALUE At June 30, 2022** | **xxx** | **xxx** | **Xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |

*[Include a brief description of what the Capital Work in Progress relates to]*

**TES TO THE FINANCIAL STATEMENTS (Continued)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

Property, Plant and Equipment (Continued)

| **2021** | **Freehold land** | **Buildings & civil works** | **Plant and machinery** | **Motor vehicles, including, motor cycles** | **Computers & related equipment** | **Office equipment, furniture & fittings** | **Capital work in progress** | **Total** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **COST OR VALUATION** |  |  |  |  |  |  |  |  |
| As at 1July 2020 | xxx | xxx | xxx | xxx | xxx | xxx | xxx | xxx |
| Additions | xxx | xxx | xxx | xxx | xxx | xxx | xxx | xxx |
| Transfers | - | xxx | - | - | - | - | (xxx) | - |
| Disposals | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) |
| **As at 30th June 2021** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
| **DEPRECIATION** |  |  |  |  |  |  |  |  |
| At July 1, 2020 | Xxx | xxx | xxx | xxx | xxx | xxx | xxx | xxx |
| Charge for the year | xxx | xxx | xxx | xxx | xxx | xxx | xxx | xxx |
| Impairment loss | xxx | xxx | xxx | xxx | xxx | xxx | xxx | xxx |
| Eliminated on disposal | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) |
| **As at 30th June 2022** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
| **NET BOOK VALUE** |  |  |  |  |  |  |  |  |
| **At June 30, 2021** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Valuation**

Land and buildings were valued by xxx independent valuer on xxx on xxx basis of valuation. These amounts were adopted on xxx.

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

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows**:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Cost** | **Accumulated Depreciation** | **NBV** |
|  | **Kshs** | **Kshs** | **Kshs** |
| Land | XXX | XXX | XXX |
| Buildings | XXX | XXX | XXX |
| Plant and machinery | XXX | XXX | XXX |
| Motor vehicles, including motorcycles | XXX | XXX | XXX |
| Computers and related equipment | XXX | XXX | XXX |
| Office equipment, furniture, and fittings | XXX | XXX | XXX |
|  | **XXX** | **XXX** | **XXX** |

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

|  |  |  |
| --- | --- | --- |
|  |  | **Normal** |
|  |  | **annual** |
|  | **Cost or** | **depreciation** |
|  | **valuation** | **charge** |
| Plant and machinery | XXX | XXX |
| Motor vehicles, including motor cycles | XXX | XXX |
| Computers and related equipment | XXX | XXX |
| Office equipment, furniture and fittings | XXX | XXX |
| **Total** | **XXX** | **XXX** |

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **Intangible Assets**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| **COST** |  |  |
| **As at the beginning of the period** | XXX | XXX |
| Additions | XXX | XXX |
| Disposals | (XXX) | (XXX) |
| **As at the end of the period** | **XXX** | **XXX** |
|  |  |  |
| **AMORTISATION** |  |  |
| **As at the beginning of the period** | XXX | XXX |
| Charge for the year | XXX | XXX |
| Disposals | (XXX) | (XXX) |
| Impairment loss | (XXX) | (XXX) |
| **As at the end of the period** | XXX | XXX |
|  |  |  |
| **NET BOOK VALUE** |  |  |
| As at the end of the period | **XXX** | **XXX** |

*[Provide short appropriate explanations as necessary in relation to what constitutes the intangible assets]*

1. **Investment Property**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| **Opening valuation** | **XXX** | **XXX** |
| **Movements during the year** |  |  |
| Additions | XXX | XXX |
| Disposals | (XXX) | (XXX) |
| Fair value gains/(losses) | XXX | XXX |
| **Closing valuation** | **XXX** | **XXX** |
| **DEPRECIATION (IF AT COST)** |  |  |
| **As at the beginning of the period** | XXX | XXX |
| Charge for the year | XXX | XXX |
| Disposals | (XXX) | (XXX) |
| Impairment loss | (XXX) | (XXX) |
| **As at the end of the period** | **XXX** | **XXX** |
| **NET BOOK VALUE** |  |  |
| As at the end of the period | **XXX** | **XXX** |

(*Provide details of the property, date last valued, the valuer and method of valuation as per IAS 40. Where investment property is carried at cost, depreciation will be shown, however, no depreciation is provided for when the asset is carried at fair value)*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **Right-of-use assets**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Buildings** | **Plant** | **Equipment** | **Total** |
|  | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| **Cost** |  |  |  |  |
| As at the beginning of the period | XXX | XXX | XXX | XXX |
| Additions | XXX | XXX | XXX | XXX |
| As at the end of the period | XXX | XXX | XXX | XXX |
| Additions | XXX | XXX | XXX | XXX |
| As at the end of the period | **XXX** | XXX | XXX | XXX |
|  |  |  |  |  |
| **Accumulated Depreciation** |  |  |  |  |
| As at the beginning of the period | XXX | XXX | XXX | XXX |
| Charge for the year | XXX | XXX | XXX | XXX |
| As at the end of the period | XXX | XXX | XXX | XXX |
| Charge for the year | XXX | XXX | XXX | XXX |
| As at the end of the period | XXX | XXX | XXX | XXX |
|  |  |  |  |  |
| **Carrying Amount** |  |  |  |  |
| As at the end of the period | XXX | XXX | XXX | XXX |
| As at the beginning of the period | XXX | XXX | XXX | XXX |

1. **Fixed Interest Investments (Bonds)**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| Central Bank of Kenya 12.5% 15-Year Infrastructure Bond | XXX | XXX |
| AB Corporate Bond (give details) | XXX | XXX |
| CD Corporate Bond (give details) | XXX | XXX |
| **Total** | **XXX** | **XXX** |

*[The movement in investment during the year is as follows:]*

|  |  |  |
| --- | --- | --- |
| **Details** | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| As at the beginning of the period | xxx | xxx |
| Additions during the year | xxx | xxx |
| Interest accrued during the year | xxx | xxx |
| Investment maturities during the year | xxx | xxx |
| As at the end of the period | xxx | xxx |

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **Quoted Investments**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| **Opening valuation** | **XXX** | **XXX** |
|  |  |  |
| **Movements during the year** |  |  |
| Additions | XXX | XXX |
| Disposals | (XXX) | (XXX) |
| Fair value gains/(losses) | XXX | XXX |
| **Closing valuation** | **XXX** | **XXX** |

***[Provide short appropriate explanations as necessary, including make-up of the investments in the table below]***

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Name of entity where investment is held** | **No of shares** | | | **Nominal value of shares/purchase price** | **Fair value of shares** | **Fair value of shares** |
|  | **Direct shareholding** | **Indirect shareholding** | **Effective shareholding** |  | **Current year** | **Prior year** |
|  | **No** | **No** | **No** | **Shs** | **Shs** | **Shs** |
| Entity A | xxx | xxx | Xxx | xxx | xxx | xxx |
| Entity B | xxx | xxx | Xxx | xxx | xxx | xxx |
| Entity C | xxx | xxx | Xxx | xxx | xxx | xxx |
|  | **xxx** | **xxx** | **Xxx** | **xxx** | **xxx** | **xxx** |

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **Unquoted Investments**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| **COST** |  |  |
| **As at the beginning of the period** | **XXX** | **XXX** |
| Additions | XXX | XXX |
| Fair value gains/(losses) | XXX | XXX |
| Disposals | (XXX) | (XXX) |
| **As at the end of the period** | **XXX** | **XXX** |
| **IMPAIRMENT** |  |  |
| **As at the beginning of the period** | **XXX** | **XXX** |
| Disposals | (XXX) | (XXX) |
| Impairment loss in the year | (XXX) | (XXX) |
| **As at the end of the period** | **XXX** | **XXX** |
| **NET BOOK VALUE** | **XXX** | **XXX** |

***[Provide short appropriate explanations as necessary, including make-up under the table below]***

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Name of entity where investment is held** | **No of shares** | | | **Nominal value of shares/ purchase price** | **Value of shares less impairment** | **Value of shares less impairment** |
|  | **Direct shareholding** | **Indirect shareholding** | **Effective shareholding** |  | **Current year** | **Prior year** |
|  | **No** | **No** | **No** | **Shs** | **Shs** | **Shs** |
|  |  |  |  |  |  |  |
| Entity A | xxx | xxx | xxx | Xxx | Xxx | xxx |
| Entity B | xxx | xxx | xxx | Xxx | Xxx | xxx |
| Entity C | xxx | xxx | xxx | Xxx | Xxx | xxx |
| Entity D | xxx | xxx | xxx | Xxx | Xxx | xxx |
|  | **xxx** | **xxx** | **xxx** | **Xxx** | **Xxx** | **xxx** |

**NOTES TO THE FINANCIAL STATEMENTS (Continued**

1. **Inventories**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| Engineering stores | XXX | XXX |
| Fuel, oil and lubricants | XXX | XXX |
| Motor vehicle spare parts | XXX | XXX |
| Goods in transit | XXX | XXX |
| Stationery and general stores | XXX | XXX |
| Finished goods | XXX | XXX |
| Work in progress | XXX | XXX |
| Less: Impairment of stocks | (XXX) | (XXX) |
| **Total** | **XXX** | **XXX** |

***[Provide short appropriate explanations as necessary]***

**26 a) Reconciliation of Impairment Allowance for Inventories**

|  |  |  |
| --- | --- | --- |
| **Description** | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **KShs** | **KShs** |
| At the beginning of the period | xxx | xxx |
| Additional provisions during the period | xxx | xxx |
| Recovered during the period | (xxx) | (xxx) |
| Written off during the period | (xxx) | (xxx) |
| At the end of the period | **xxx** | **xxx** |

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **) Trade and Other Receivables**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| Trade receivables (note 27 (a)) | XXX | XXX |
| Deposits and prepayments | XXX | XXX |
| VAT recoverable | XXX | XXX |
| Staff receivables (note 27 (b)) | XXX | XXX |
| Other receivables | XXX | XXX |
| **Gross trade and other receivables** | **XXX** | **XXX** |
| Provision for bad and doubtful receivable | (XXX) | (XXX) |
| **Net trade and other receivables** | **XXX** | **XXX** |

*[Provide short appropriate explanations as necessary]*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**27 (a) Trade Receivables**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| Gross trade receivables | XXX | XXX |
| Provision for doubtful receivables | (XXX) | (XXX) |
| Net trade receivables | XXX | XXX |
|  |  |  |
| **At June 30, the ageing analysis of the gross trade receivables was as follows:** | | |
|  |  |  |
| Less than 30 days | XXX | XXX |
| Between 30 and 60 days | XXX | XXX |
| Between 61 and 90 days | XXX | XX |
| Between 91 and 120 days | XXX | XXX |
| Over 120 days | XXX | XXX |
| **Total** | **XXX** | **XXX** |

*[Provide short appropriate explanations as necessary]*

**27 (b) Reconciliation of Impairment Allowance for Trade Receivables**

|  |  |  |
| --- | --- | --- |
| **Description** | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **KShs** | **KShs** |
| At the beginning of the period | xxx | xxx |
| Additional provisions during the period | xxx | xxx |
| Recovered during the period | (xxx) | (xxx) |
| Written off during the period | (xxx) | (xxx) |
| At the end of the period | **xxx** | **xxx** |

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**27 (c) Staff Receivables**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| Gross staff loans and advances | XXX | XXX |
| Provision for impairment loss | (XXX) | (XXX) |
| Net staff loans | **XXX** | **XXX** |
|  |  |  |
| Less: Amounts due within one year | (XXX) | (XXX) |
| Amounts due after one year | XXX | XXX |

*[Provide short appropriate explanations as necessary]*

**27 (d) Reconciliation of Impairment Allowance for Staff Receivables**

|  |  |  |
| --- | --- | --- |
| **Description** | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **KShs** | **KShs** |
| At the beginning of the period | xxx | xxx |
| Additional provisions during the period | xxx | xxx |
| Recovered during the period | (xxx) | (xxx) |
| Written off during the period | (xxx) | (xxx) |
| At the end of the period | **xxx** | **xxx** |

1. **Tax Recoverable**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| **At beginning of the year** | **XXX** | **XXX** |
| Income tax charge for the year (note 16) | XXX | XXX |
| Under/(over) provision in prior year/s (note 16) | XXX | XXX |
| Income tax paid during the year | (XXX) | (XXX) |
| At end of the year | **XXX** | **XXX** |

*[Provide short appropriate explanations as necessary]*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **Short Term Deposits**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| **Other commercial banks** |  |  |
| Cooperative Bank of Kenya | XXX | XXX |
| Kenya Commercial Bank | XXX | XXX |
| Barclays Bank of Kenya | XXX | XXX |
|  | XXX | XXX |

*[Provide short appropriate explanations as necessary]*

*Example: The average effective interest rate on the short term deposits as at June 30, 2021 was xx% (2020: xx %).*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **Bank and Cash Balances**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| Cash at bank | XXX | XXX |
| Cash in hand | XXX | XXX |
|  | **XXX** | **XXX** |

*[Provide short appropriate explanations as necessary] Example: The bulk of the cash at bank was held at Barclays Bank of Kenya and Kenya Commercial Bank, the entity’s main bankers*.

**Detailed analysis of the cash and cash equivalents**

|  |  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
| --- | --- | --- | --- |
| **Financial institution** | **Account number** | **KShs** | **KShs** |
| 1. **Current account** |  |  |  |
| Other Commercial banks |  | Xxx | xxx |
| Xxxxxxx |  | Xxx | xxx |
| **Sub- total** |  | **Xxx** | **xxx** |
| 1. **On - call deposits** |  |  |  |
| Other Commercial banks |  | Xxx | xxx |
| Xxxxxxx |  | Xxx | xxx |
| **Sub- total** |  | **Xxx** | **xxx** |
| 1. **Fixed deposits account** |  |  |  |
| Other Commercial banks |  | xxx | xxx |
| Xxxxxxx |  | xxx | xxx |
| **Sub- total** |  | **xxx** | **xxx** |
| 1. **Staff car loan/ mortgage** |  |  |  |
| Other Commercial banks |  | xxx | xxx |
| Xxxxxxx |  | xxx | xxx |
| **Sub- total** |  | **xxx** | **xxx** |
| 1. **Others(specify)** |  | xxx | xxx |
| Cash in transit |  | xxx | xxx |
| cash in hand |  | xxx | xxx |
| Mobile money account |  | xxx | xxx |
| **Sub- total** |  | **xxx** | **xxx** |
| **Grand total** |  | **xxx** | **xxx** |

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **Ordinary Share Capital**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| **Authorized:** |  |  |
| XXX ordinary shares of KShs par value each | **XXX** | **XXX** |
| **Issued and fully paid:** |  |  |
| XXX ordinary shares of KShs par value each | **XXX** | **XXX** |

*[Provide short appropriate explanations as necessary]*

1. **Revaluation Reserve**

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.

1. **Fair Value Adjustment Reserve**

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

1. **Retained Earnings**

The retained earnings represent amounts available for distribution to the *entity’s* shareholders. Undistributed retained earnings are utilised to finance the *entity’s* business activities.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **Borrowings**

|  |  |  |
| --- | --- | --- |
| **Description** | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **KShs** | **KShs** |
| 1. **External Borrowings** |  |  |
| Balance at beginning of the year | xxx | xxx |
| External borrowings during the year | xxx | xxx |
| Repayments of during the year | (xxx) | (xxx) |
| **Balance at end of the year** | **xxx** | **xxx** |
|  |  |  |
| 1. **Domestic Borrowings** |  |  |
| Balance at beginning of the year | xxx | xxx |
| Domestic borrowings during the year | xxx | xxx |
| Repayments during the year | (xxx) | (xxx) |
| **Balance at end of the year** | **xxx** | **xxx** |
|  |  |  |
| **Balance at end of the period- Domestic and External borrowings c = a+b** | **xxx** | **xxx** |

The analyses of both external and domestic borrowings are as follows:

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **KShs** | **KShs** |
| **External Borrowings** |  |  |
| Dollar denominated loan from ‘xxx organisation’ | xxx | Xxx |
| Sterling Pound denominated loan from ‘yyy organisation’ | xxx | Xxx |
| Euro denominated loan from zzz organisation’ | xxx | Xxx |
| **Domestic Borrowings** |  |  |
| Kenya Shilling loan from KCB | xxx | Xxx |
| Kenya Shilling loan from Barclays Bank | xxx | Xxx |
| Kenya Shilling loan from Consolidated Bank | xxx | Xxx |
| Total balance at end of the year | **xxx** | **Xxx** |

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

|  |  |  |
| --- | --- | --- |
| **Description** | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **KShs** | **KShs** |
| Short term borrowings (current portion) | xxx | xxx |
| Long term borrowings | xxx | xxx |
| Total | **xxx** | **xxx** |

*(NB: the total of this statement should tie to note 43 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).*

*[Foreign denominated loans should be restated based on CBK closing mean rates at the end of financial year]*

1. **Deferred Tax Liability**

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

|  |  |  |
| --- | --- | --- |
|  | **2020/2021** | **2019/2020** |
|  | **Kshs** | **Kshs** |
| Accelerated capital allowances | XXX | XXX |
| Unrealised exchange gains/(losses) | XXX | XXX |
| Revaluation surplus | XXX | XXX |
| Tax losses carried forward | (XXX) | (XXX) |
| Provisions for liabilities and charges | (XXX) | (XXX) |
| Net deferred tax liability | XXX | XXX |

The movement on the deferred tax account is as follows:

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| **Balance at beginning of the year** | **XXX** | **XXX** |
| Credit to revaluation reserve | (XXX) | (XXX) |
| Under provision in prior year | XXX | XXX |
| Income statement charge/(credit) | XXX | XXX |
| **Balance at end of the year** | **XXX** | **XXX** |

*[Provide short appropriate explanations as necessary]*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **Lease Liability**

|  |  |  |
| --- | --- | --- |
| **Description** | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **KShs** | **KShs** |
| **At the start of the year** | **xxx** | **Xxx** |
| Discount interest on lease liability | xxx | Xxx |
| Paid during the year | (xxx) | (xxx) |
| **At end of the year** | **xxx** | **Xxx** |

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
| **Maturity analysis** | **Kshs** | **Kshs** |
| Year 1 | XXX | XXX |
| Year 2 | XXX | XXX |
| Year 3 | XXX | XXX |
| Year 4 | XXX | XXX |
| Year 5 | XXX | XXX |
| On wards | XXX | XXX |
|  | XXX | XXX |
| Less: unearned interest | (XXX) | (XXX) |
|  | XXX | XXX |
| Analysed as: |  |  |
| Non-Current | XXX | XXX |
| Current | XXX | XXX |

1. **Trade and Other Payables**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| Trade payables | XXX | XXX |
| Accrued expenses | XXX | XXX |
| Retention/ contract monies | XXX | XXX |
| Deposits | XXX | XXX |
| Employee payables | XXX | XXX |
| Other payables | XXX | XXX |
| **Total** | **XXX** | **XXX** |

*[Provide short appropriate explanations as necessary]*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **Retirement Benefit Obligations**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | **Defined benefit plan** | **Post-employment medical benefits** | **Other Benefits** | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **KShs** | **KShs** | **KShs** | **KShs** | **KShs** |
| Current benefit obligation | xxx | xxx | xxx | xxx | xxx |
| Non-current benefit obligation | xxx | xxx | xxx | xxx | xxx |
| **Total** **employee benefits obligation** | xxx | xxx | xxx | xxx | xxx |

**Retirement benefit Asset/ Liability**

The entity operates a defined benefit scheme for all full-time employees from July 1, 20XX. The scheme is administered by xxx while xxx are the custodians of the scheme. The scheme is based on xxx percentage of salary of an employee at the time of retirement.

An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was carried out as at xxx June xxx by xxx actuarial valuers On this basis the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of valuation are as follows:

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| Discount rates | X% | X% |
| Future salary increases | X% | X% |
| Future pension increases | X% | X% |
| Mortality (Pre- retirement) | X% | X% |
| Mortality (Post- retirement) | X% | X% |
| Withdrawals | xx | Xx |
| Ill health | xx | xx |
| Retirement | Xx years | Xx years |

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Recognition of Retirement Benefit Asset/ Liability**

1. **Amounts recognised under other gains/ Losses in the statement of Comprehensive Income**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
| **Description** | **Kshs** | **Kshs** |
| The return on defined plan assets | XXX | XXX |
| Actuarial gains/ losses arising from changes in demographic assumptions | XXX | XXX |
| Actuarial gains/ losses arising from0020changes in financial assumptions | XXX | XXX |
| Actuarial gains and losses arising from experience adjustments | XXX | XXX |
| Others (Specify) | XXX | XXX |
| Adjustments for restrictions on the defined benefit asset | XXX | XXX |
| **Remeasurement of the net defined benefit liability (asset)** | XXX | XXX |

1. **Amounts recognised in the Statement of Financial Position**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
| **Description** | **Kshs** | **Kshs** |
| Present value of defined benefit obligations(a) | XXX | XXX |
| Fair value of plan assets(b) | (XXX) | (XXX) |
| Funded Status(=a-b) | **XXX** | **XXX** |
| Restrictions on asset recognized | XXX | XXX |
| Others | XXX | XXX |
| Net Asset or liability arising from defined benefit obligation | **XXX** | **XXX** |

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity’s obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. XXX per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by XXX Pension Fund. Employees contribute xx% while employers contribute xx% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **Provisions**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | **Long service leave** | **Bonus Provision** | **Gratuity provisions** | **Other Provisions** | **Total** |
|  | **KShs** |  | **KShs** | **KShs** | **KShs** |
| Balance at the beginning of the year | xxx | xxx | xxx | xxx | xxx |
| Additional Provisions | xxx | xxx | xxx | xxx | xxx |
| Provision utilised | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) |
| Change due to discount and time value for money | xxx | xxx | xxx | xxx | xxx |
| Less: Current portion | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) |
| Balance at the end of the year | xxx | xxx | xxx | xxx | xxx |

***(NB: The current portion deducted in this note should tie to line on current portion transferred from non- current provisions under note xx)***

1. **Dividends Payable**

The balance of dividends payable relates to unclaimed dividends, payable to different shareholders. The balances are analysed in annual amount below.

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
|  |  |  |
| At the beginning of the year | XX | XX |
| Additional declared during the year | XX | XX |
| Paid during the year | (XX) | (XX) |
| Balance at end of the year | XX | XX |

*Dividends payable to ordinary shareholders amounts to Ksh.xxx, while dividends payable to preference shareholders amounts to Ksh xxx****.***

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
| --- | --- | --- |
|  | **Kshs** | **Kshs** |
| 1. Reconciliation of operating profit/(loss) to cash generated from/(used in) operations |  |  |
| Profit or loss before tax | XXX | XXX |
| Depreciation | XXX | XXX |
| Amortisation | XXX | XXX |
| (Gain)/loss on disposal of property, plant and equipment | XXX | XXX |
| Operating profit/(loss) before working capital changes | XXX | XXX |
|  |  |  |
| (Increase)/decrease in inventories | XXX | XXX |
| (Increase)/decrease in trade and other receivables | XXX | XXX |
| Increase/(decrease) in trade and other payables | XXX | XXX |
| Increase/(decrease) in retirement benefit obligations | XXX | XXX |
| Increase/(decrease) in provision for staff leave pay | XXX | XXX |
|  |  |  |
| Cash generated from/(used in) operations | XXX | XXX |
|  |  |  |
| 1. **Analysis of changes in loans** |  |  |
|  |  |  |
| **Balance at beginning of the year** | **XXX** | **XXX** |
| Receipts during the year | XXX | XXX |
| Repayments during the year | (XXX) | (XXX) |
| Repayments of previous year’s accrued interest | (XXX) | (XXX) |
| Foreign exchange (gains)/losses | XXX | (XXX) |
| Accrued interest | XXX | XXX |
|  |  |  |
| **Balance at end of the year** | **XXX** | **XXX** |
|  |  |  |
| 1. **Analysis of cash and cash equivalents** |  |  |
|  |  |  |
| Short term deposits | XXX | XXX |
| Cash at bank | XXX | XXX |
| Cash in hand | (XXX) | (XXX) |
|  | \_\_\_\_\_\_ | \_\_\_\_\_\_ |
| Balance at end of the year | XXX | XXX |

|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
| --- | --- | --- |
|  | **Kshs** | **Kshs** |
| 1. **Analysis of interest paid** |  |  |
|  |  |  |
| Interest on loans | XXX | XXX |
| Interest on bank overdraft | XXX | XXX |
| Interest on lease liabilities | XXX | XXX |
| Interest on loans capitalised | XXX | XXX |
| Balance at beginning of the year | XXX | XXX |
| Balance at end of the year (note 35(b)) | (XXX) | (XXX) |
|  | \_\_\_\_\_\_ | \_\_\_\_\_\_ |
| Interest paid | XXX | XXX |
|  | ===== | ===== |
| 1. **Analysis of dividend paid** |  |  |
|  |  |  |
| Balance at beginning of the year | XXX | XXX |
| 2019 dividends paid | XXX | XXX |
| 2020 dividends paid | XXX | XXX |
| 2021 interim dividends paid | XXX | XXX |
| Balance at end of the year | (XXX) | (XXX) |
|  | \_\_\_\_\_\_ | \_\_\_\_\_\_ |
| Dividend paid | XXX | XXX |
|  | ===== | ===== |

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **Related Party Disclosures**

**Government of Kenya**

The Government of Kenya is the principal shareholder of the *entity*, holding 100% of the *entity’s* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

1. The Parent Ministry
2. County Government of xxx
3. Xxx;
4. Xxx;
5. Key management
6. Board of directors

**Transactions with related parties**

|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
| --- | --- | --- |
|  | **Kshs** | **Kshs** |
| 1. **Sales to related parties** |  |  |
| Sales of electricity to Govt agencies | XXX | XXX |
| Rent Income from govt. agencies | XXX | XXX |
| Water sales to Govt. agencies | XXX | XXX |
| Interest income from Govt Commercial Banks | XXX | XXX |
| Interest income from Tbills and Bonds | XXX | XXX |
| Others (Specify) | XXX | XXX |
| **Total** | XXX | XXX |
|  |  |  |
| **b) Purchases from related parties** |  |  |
| Purchases of electricity from KPLC | XXX | XXX |
| Purchase of water from govt service providers | XXX | XXX |
| Rent expenses paid to govt agencies | XXX | XXX |
| Training and conference fees paid to govt. agencies | XXX | XXX |
| Bank charges paid to Govt Commercial banks | XXX | XXX |
| Interest expense to investments by other govt. entities | XXX | XXX |
| Others (specify) | XXX | XXX |
| **Total** | **XXX** | **XXX** |
| 1. **Grants from the Government** |  |  |
| Grants from National Govt | XXX | XXX |
| Grants from County Government | XXX | XXX |
| Donations in kind | XXX | XXX |
| **Total** | **XXX** | **XXX** |
|  |  |  |
| 1. **Expenses incurred on behalf of related party** |  |  |
| Payments of salaries and wages for xxx employees | XXX | XXX |
| Payments for goods and services for xxx | XXX | XXX |
| **Total** | **XXX** | **XXX** |
|  |  |  |
| 1. **Key management compensation** |  |  |
| Directors’ emoluments | XXX | XXX |
| Compensation to key management | XXX | XXX |
| **Total** | XXX | XXX |

1. **Capital Commitments**

Capital commitments at the year- end for which no provision has been made in these financial statements are:

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| Amounts authorised and contracted for | XXX | XXX |
| Amounts authorizes but not contracted for | XXX | XXX |
| Less: Amounts included in Work in progress | (xxx) | (xxx) |
|  | XXX | XXX |

*[Provide short appropriate explanations as necessary]*

**NOTES TO THE FINANCIAL STATEMENTS (Continued**

1. **Contingent Assets and Liabilities**

**Contingent Assets**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| **Contingent assets** |  |  |
| Insurance reimbursements | xxx | xxx |
| Assets arising from determination of court cases | xxx | Xxx |
| Reimbursable indemnities and guarantees | xxx | Xxx |
| Receivables from other government entities | xxx | Xxx |
| Others (Specify) | xxx | xxx |
| **Total** | **xxx** | **Xxx** |

*(Give details)*

**Contingent Liabilities**

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| **Contingent liabilities** | xxx | Xxx |
| Court case xxx against the entity | xxx | Xxx |
| Bank guarantees in favour of subsidiary | xxx | Xxx |
| Contingent liabilities arising from contracts including PPPs | xxx | Xxx |
| Others (Specify) | xxx | Xxx |
| **Total** | **xxx** | **Xxx** |

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

1. **Financial Risk Management**

The entity’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:

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**(i) Credit risk**

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

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

The carrying amount of financial assets recorded in the financial statements representing the entity’s maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Total amount**  **Kshs** | **Fully performing**  **Kshs** | **Past due**  **Kshs** | **Impaired**  **Kshs** |
| **At 30 June 2021** |  |  |  |  |
| Receivables from exchange transactions | xxx | xxx | xxx | xxx |
| Receivables from non-exchange transactions | xxx | xxx | xxx | xxx |
| Bank balances | xxx | xxx | xxx | xxx |
| **Total** | **xxx** | **xxx** | **xxx** | **xxx** |
| **At 30 June 2020** |  |  |  |  |
| Receivables from exchange transactions | xxx | xxx | xxx | xxx |
| Receivables from non-exchange transactions | xxx | xxx | xxx | xxx |
| Bank balances | xxx | xxx | xxx | xxx |
| **Total** | **xxx** | **xxx** | **xxx** | **xxx** |

***(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity’s statement of financial position)***

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

***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 entity has significant concentration of credit risk on amounts due from xxxx

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 entity’s directors, who have built an appropriate liquidity risk management framework for the management of the entity’s short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Less than 1 month** | **Between 1-3 months** | **Over 5 months** |  |
|  | **Total** |
|  | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| **At 30 June 2021** |  |  |  |  |
| Trade payables | xxx | xxx | xxx | xxx |
| Current portion of borrowings | xxx | xxx | xxx | xxx |
| Provisions | xxx | xxx | xxx | xxx |
| Deferred income | xxx | xxx | xxx | xxx |
| Employee benefit obligation | xxx | xxx | xxx | xxx |
| **Total** | **xxx** | **xxx** | **xxx** | **xxx** |
| **At 30 June 2020** |  |  |  |  |
| Trade payables | xxx | xxx | xxx | xxx |
| Current portion of borrowings | xxx | xxx | xxx | xxx |
| Provisions | xxx | xxx | xxx | xxx |
| Deferred income | xxx | xxx | xxx | xxx |
| Employee benefit obligation | xxx | xxx | xxx | xxx |
| **Total** | **xxx** | **xxx** | **xxx** | **xxx** |

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**(iii) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity 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 Finance Department 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 entity’s exposure to market risks or the manner in which it manages and measures the risk.

1. **Foreign currency risk**

The entity 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**(iii) Market risk (Continued)**

The carrying amount of the entity’s foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Ksh** | **Other currencies** | **Total** |
|  | **Kshs** | **Kshs** | **Kshs** |
| **At 30 June 2021** |  |  |  |
| **Financial assets** |  |  |  |
| Investments | xxx | xxx | xxx |
| Cash | xxx | xxx | xxx |
| Debtors | xxx | xxx | xxx |
| **Financial Liabilities** |  |  |  |
| Trade and other payables | Xxx | xxx | xxx |
| Borrowings | Xxx | xxx | xxx |
| Net foreign currency asset/(liability) | **Xxx** | **xxx** | **xxx** |

The entity manages foreign exchange risk form future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Ksh** | **Other currencies** | **Total** |
|  | **Kshs** | **Kshs** | **Kshs** |
| **At 30 June 2020** |  |  |  |
| **Financial assets** |  |  |  |
| Investments | xxx | xxx | xxx |
| Cash | xxx | xxx | xxx |
| Debtors | xxx | xxx | xxx |
| **Financial Liabilities** |  |  |  |
| Trade and other payables | xxx | xxx | xxx |
| Borrowings | xxx | xxx | xxx |
| Net foreign currency asset/(liability) | **xxx** | **xxx** | **xxx** |

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **Foreign currency sensitivity analysis**

The following table demonstrates the effect on the company’s statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Change in**  **currency rate** | **Effect on Profit**  **before tax** | **Effect on**  **equity** |
|  | **Kshs** | **Kshs** | **Kshs** |
| **2021** |  |  |  |
| Euro | 10% | xxx | Xxx |
| USD | 10% | xxx | Xxx |
| **2020** |  |  |  |
| Euro | 10% | xxx | Xxx |
| USD | 10% | xxx | Xxx |

1. **Interest rate risk**

Interest rate risk is the risk that the entity’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 mainly from interest rate movements on the company’s deposits.

1. **Management of interest rate risk**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1. **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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2020: KShs xxx ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2020 – KShs xxx)

1. **Fair value of financial assets and liabilities**
2. ***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 *entity’s* market assumptions. These two types of inputs have created the following fair value hierarchy:

1. Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
2. 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).
3. 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 *entity* considers relevant and observable market prices in its valuations where possible.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | | |
| **At 30 June 2021** | **Level 1 Kshs** | **Level 2 Kshs** | **Level 3 Kshs** | **Total Kshs** |
| **Financial Assets** |  |  |  |  |
| Quoted equity investments | xx | xx | xx | xx |
| **Non- financial Assets** |  |  |  |  |
| Investment property | xx | xx | xx | xx |
| Land and buildings | xx | xx | xx | xx |
|  | xx | xx | xx | xx |
| **At 30 June 2020** |  |  |  |  |
| **Financial Assets** |  |  |  |  |
| Quoted equity investments | xxx | xxx | xxx | xxx |
| **Non- financial Assets** |  |  |  |  |
| Investment property | xxx | xxx | xxx | xxx |
| Land and buildings | xxx | xxx | xxx | xxx |
|  | xxx | xxx | xxx | xxx |

There were no transfers between levels 1, 2 and 3 during the year.

***Financial instruments not measured at fair value***

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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**iv) Capital Risk Management**

The objective of the entity’s capital risk management is to safeguard the Board’s ability to continue as a going concern. The entity capital structure comprises of the following funds:

|  |  |  |
| --- | --- | --- |
|  | Period ended Sep\*/Dec\*/March\*/June\* 20xx | Comparative Period |
|  | **Kshs** | **Kshs** |
| Revaluation reserve | Xxx | xxx |
| Retained earnings | Xxx | xxx |
| Capital reserve | Xxx | xxx |
|  |  |  |
| **Total funds** | **Xxx** | **xxx** |
| Total borrowings | Xxx | xxx |
| Less: cash and bank balances | (xxx) | (xxx) |
| Net debt/(excess cash and cash equivalents) | Xxx | xxx |
| **Gearing** | **xx%** | **xx%** |

1. **Incorporation**

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

1. **Events After The Reporting Period**

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

1. **Currency**

The financial statements are presented in Kenya Shillings (Kshs).

# 

# APPENDICES

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

| **Reference No. on the external audit Report** | **Issue / Observations from Auditor** | **Management comments** | **Status:**  ***(Resolved / Not Resolved)*** | **Timeframe:**  ***(Put a date when you expect the issue to be resolved)*** |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

***Guidance Notes:***

1. Use the same reference numbers as contained in the external audit report;
2. Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
3. Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Accounting Officer

Name

(enter title of head of entity)

Signature

Date.........................................

# APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

**Projects**

Projects implemented by the State Corporation/ SAGA 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 |  |  |  |  |  |  |
| 2 |  |  |  |  |  |  |

**Status of Projects completion**

*(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)*

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Project** | **Total project Cost** | **Total expended to date** | **Completion % to date** | **Budget** | **Actual** | **Sources of funds** |
| 1 |  |  |  |  |  |  |  |
| 2 |  |  |  |  |  |  |  |
| 3 |  |  |  |  |  |  |  |

# APPENDIX III: INTER-ENTITY TRANSFERS

|  | **ENTITY NAME:** |  | | | |
| --- | --- | --- | --- | --- | --- |
|  | **Break down of Transfers from the State Department of XXX** | | | | |
|  | **FY 2020/21** | |  |  |  |
| **a.** | **Recurrent Grants** | | **Bank Statement Date** | **Amount (KShs)** | **Indicate the FY to which the amounts relate** |
|  |  | |  | xx |  |
|  |  | |  | xx |  |
|  |  | | **Total** | **XXX** |  |
| **b.** | **Development Grants** | | **Bank Statement Date** | **Amount (KShs)** | **Indicate the FY to which the amounts relate** |
|  |  | |  |  |  |
|  |  | |  | xx |  |
|  |  | |  | xx |  |
|  |  | |  | xx |  |
|  |  | | **Total** | **XXX** |  |
| **c.** | **Direct Payments** | | **Bank Statement Date** | **Amount (KShs)** | **Indicate the FY to which the amounts relate** |
|  |  | |  |  |  |
|  |  | |  | xx |  |
|  |  | |  | xx |  |
|  |  | | **Total** | **XXX** |  |
| **d.** | **Donor Receipts** | | **Bank Statement Date** | **Amount (KShs)** | **Indicate the FY to which the amounts relate** |
|  |  | |  | xx |  |
|  |  | |  | xx |  |
|  |  | |  | xx |  |
|  |  | | **Total** | **XXX** |  |

The above amounts have been communicated to and reconciled with the parent Ministry.

Finance Manager Head of Accounting Unit

XXX entity xxx Ministry

Sign --------------- Sign--------------

# APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Name of the MDA/Donor Transferring the funds** |  |  |  | **Where Recorded/recognized** | | | | |  |
| **Date received as per bank statement** | **Nature: Recurrent/Development/Others** | **Total Amount - KES** | **Statement of Financial Performance** | **Capital Fund** | **Deferred Income** | **Receivables** | **Others - must be specific** | **Total Transfers during the Year** |
| Ministry of Planning and Devolution | xxx | Recurrent | xxx | xxx | xxx | xxx | xxx | xxx | xxx |
| Ministry of Planning and Devolution | xxx | Development | Xxx | xxx | xxx | xxx | xxx | xxx | xxx |
| USAID | xxx | Donor Fund | Xxx | xxx | xxx | xxx | xxx | xxx | xxx |
| Ministry of Planning and Devolution | xxx | Direct Payment | xxx | xxx | xxx | xxx | xxx | xxx | xxx |
|  |  |  | xxx | xxx | xxx | xxx | xxx | xxx | xxx |
| **Total** |  |  | xxx | xxx | xxx | xxx | xxx | xxx | xxx |