***Revised Template 30th June 2021***



*(Indicate actual name of the Entity)*

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING**

**30TH JUNE 2021**

**Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)**

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# KEY ENTITY INFORMATION AND MANAGEMENT

1. **Background information**

The *entity* was incorporated/ established under the xxx Act on xxx (insert date). The entity is domiciled in Kenya and has branches in xxx, xxx (list them).

(*Include any other information relevant to the users of financial information on the background of the entity for example departments, faculties in a university etc.)*

1. **Principal Activities**

The principal activity/mission/ mandate of the *entity* is to …

 *(Under this section quote your functions as derived from the establishing Act you may also include the entity’s vision, mission and core objectives)*

1. **Key Management**

The *entity’s* day-to-day management is under the following key organs:

* Board of Directors/ Council/ Management etc;
* Accounting officer/ CEO/MD/VC etc
* Management
* …; and
* …
1. **Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 20XX and who had direct fiduciary responsibility were:

| **No.**  | **Designation** | **Name** |
| --- | --- | --- |
| 1. | CEO, MD, VC, DG | **-** |
| 2. | Head of Corporate Services |  |
| 3. | Head of Finance | **-** |
| 4. | Head of Procurement | **-** |
| 5. | Xxx | **-** |
| 6. | Xxx |  |

*(Include all positions regarded as top management in your organisation as per your organisational structure).*

1. **Fiduciary Oversight Arrangements**

 *Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):*

* *Audit and Risk Committee*
* *Finance committee*
* *Parliamentary Oversight Committees*
* *Development partner*
* *Other oversight arrangements*
1. **Entity Headquarters**

P.O. Box XXXXX

XXX Building/House/Plaza

XXX Avenue/Road/Highway

Nairobi, KENYA

1. **Entity Contacts**

Telephone: (254) XXXXXXXX

E-mail: xxxx@xxx.com

Website: [xxx.go.ke](http://www.go.ke)

1. **Entity Bankers**
2. Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

**NAIROBI, KENYA**

1. **Other Banks (state other bankers as appropriate**
2. **Independent Auditors**

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

1. **Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

# THE BOARD OF DIRECTORS/COUNCIL

|  |  |  |
| --- | --- | --- |
| **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. Indicate whether the director is independent and or whether alternate. |
|  | Director 2 |  |
|  | Director 3 |  |
|  | Director 4/Alternate |  |
|  | CEO/VC/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

|  |  |  |
| --- | --- | --- |
| **X** | **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’.* |

# CHAIRMAN’S STATEMENT

**(One – two pages.)**

*(Under this section, the Chairman will give a brief highlight of the key activities during the year, successes consolidated, challenges being faced and the way forward or future outlook for the organisation). The report should be signed by the chairman of the governing body.*

# REPORT OF THE CHIEF EXECUTIVE OFFICER

**(Two-to-three pages)**

(Under this section, the CEO will give his report which highlights the same issues as the Chairman in a more detailed format. The CEO may also mention at a high level the financial performance of the organisation). The CEO report should be signed by the CEO.

#### STATEMENT OF XXX’s PERFOMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

**(Two-to-three pages)**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity’s performance against predetermined objectives.

*XXX* has *X* strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY xx- FY xx. These strategic pillars/ themes/ issues are as follows:

 Pillar /theme/issue 1:

 Pillar/theme/issue 2:

*XXX* develops its annual work plans based on the above *X* pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The *XXX* achieved its performance targets set for the FY 2020/2021 period for its xx strategic pillars, as indicated in the diagram below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Strategic Pillar/Theme/Issues** | **Objective** | **Key Performance Indicators** | **Activities** | **Achievements** |
| Pillar/ theme/ issue 1: |  |  |  |  |
| Pillar/ theme/ issue 1: |  |  |  |  |

***(Under this section therefore, the management should include performance against the strategic objectives of the organisation. The management should outline the strategic Pillars, activities towards their achievement and outputs under each strategic pillar. The organisation should also briefly outline how they have tied achievements to performance contracts)***

# CORPORATE GOVERNANCE STATEMENT

**(Two-to-three pages)**

(***Under this section, include the number of Board meetings held and the attendance to those meetings by members, succession plan, existence of a board charter, process of appointment and removal of directors, roles and functions of the Board, induction and training, board and member performance, conflict of interest, board remuneration, ethics and conduct as well as governance audit***.)

# 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.)***

# ENVIRONMENTAL AND SUSTAINABILITY REPORTING

**(Two-to-three pages)**

XXX exists to transform lives. This is our purpose; the driving force behind everything we do. It’s what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation’s policies and activities that promote sustainability.

1. **Sustainability strategy and profile**

The top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

1. **Environmental performance**

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation’s products.

1. **Employee welfare**

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.

1. **Market place practices-**

The organisation should outline its efforts to:

1. **Responsible competition practice.**

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors.

1. **Responsible Supply chain and supplier relations**

Explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.

1. **Responsible marketing and advertisement**

Outline efforts to maintain ethical marketing practices.

1. **Product stewardship**

Outline efforts to safeguard consumer rights and interests.

1. **Corporate Social Responsibility / Community Engagements**

*The organisation gives details of CSR activities carried out in the year and the impact to the society.* Give e*vidence of community engagement including charitable giving (cash and material), Corporate Social Investment and other forms of community engagements.*

# REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021, which show the state of the *entity’s* affairs.

1. **Principal activities**

The principal activities of the entity are (continue to be) ….

1. **Results**

The results of the entity for the year ended June 30, 2021, are set out on page ….

1. **Directors**

The members of the Board of Directors who served during the year are shown on page xxx. During the year xxx director retired/ resigned and xxx was appointed with effect from xxx date.

1. **Surplus remission**

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. ***Or the entity remitted Kshs xxxx (FY 2020 Ksh xxx. The entity did not make any surplus during the year (FY 2020 Ksh Nil) and hence no remittance to the Consolidated Fund. [Entities to edit accordingly]***

1. **Auditors**

The Auditor General is responsible for the statutory audit of the *entity* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2021 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Name Signature Date

Corporate Secretary/Secretary to the Board

# 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 accept 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 Public Sector Accounting Standards (IPSAS), 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)* . 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 confirms 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 AUDITOR FOR THE FINANCIAL STATEMENTS OF XXXX (*specify entity name*)

# STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

|  | **Notes** | **2020-2021** | **2019-2020** |
| --- | --- | --- | --- |
|  |  | **Kshs** | **Kshs** |
| **Revenue** **from** **non-exchange** **transactions** |  |  |  |
| Transfers from other governments entities | 6 | XXX | XXX |
| Levies, Fines, and penalties | 7 | XXX | XXX |
| Public contributions and donations | 8 | XXX | XXX |
| Property taxes revenue | 9  | XXX | XXX |
| Licenses and permits |  10  | XXX  | XXX  |
|   |   | **XXX**  | **XXX**  |
| **Revenue** **from** **exchange** **transactions** |   |   |   |
| Rendering of services | 11  | XXX  | XXX  |
| Sale of goods | 12  | XXX  | XXX  |
| Rental revenue from facilities and equipment | 13  | XXX  | XXX  |
| Finance income  | 14  | XXX  | XXX  |
| Other income | 15  | XXX  | XXX  |
| **Total** **revenue** |   | **XXX**  | **XXX**  |
| **Expenses** |   |   |   |
| Use of goods and services | 16  | XXX  | XXX |
| Employee costs | 17  | XXX  | XXX  |
| Remuneration of directors | 18  | XXX  | XXX  |
| Depreciation and amortization expense | 19  | XXX  | XXX  |
| Repairs and maintenance | 20  | XXX  | XXX  |
| Contracted services | 21  | XXX  | XXX  |
| Grants and subsidies | 22  | XXX  | XXX  |
| Finance costs | 23  | XXX  | XXX  |
| **Total** **expenses** |   | **XXX**  | **XXX**  |
| **Other** **gains/(losses)** |   |   |   |
| Gain on sale of assets | 24 | XXX  | XXX  |
| Gain on foreign exchange transactions | 25  | XXX | XXX  |
| Unrealized gain on fair value of investments | 26  | XXX  | XXX  |
| Impairment loss | 27  | (XXX) | (XXX) |
| **Surplus** **before** **tax** |   | **XXX**  | **XXX**  |
| Taxation | 27  | (XXX) | (XXX) |
| **Surplus/(deficit)** **for** **the** **period/year** |   | **XXX**  | **XXX**  |
| Remission to National Treasury | 51 | **XXX**  | **XXX**  |
| **Net Surplus for the year** |  | **XXX**  | **XXX**  |
| Attributable to: |  |   |   |
| Surplus/(deficit) attributable to minority interest |  | XXX  | (XXX) |
| Surplus attributable to owners of the controlling entity |   | XXX  | XXX  |
|  |   | **XXX**  | **XXX**  |

The notes set out on pages xxx to xxx form an integral part of these Financial Statements.

The Financial Statements set out on pages xxx to xxx were signed on behalf of the Board of Directors by:

Accounting Officer Head of Finance Chairman of the Board

 Name: Name Name:

 ICPAK Member Number:

 Date Date Date

# 14 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

|  | **Notes** | **2020-2021** | **2019-2020** |
| --- | --- | --- | --- |
|  |  | **Kshs** | **Kshs** |
| **Assets** |  |  |  |
|  |  |  |  |
| **Current** **Assets** |   |   |   |
| Cash and cash equivalents | 28  | XXX | XXX  |
| Current portion of receivables from exchange transactions | 29(a) | XXX  | XXX  |
| Receivables from non-exchange transactions | 30  | XXX  | XXX  |
| Inventories | 31  | XXX  | XXX  |
| Investments | 32  | XXX  | XXX  |
| **Total Current Assets** |   | **XXX**  | **XXX**  |
|  |  |  |  |
| **Non-Current** **Assets** |   |   |   |
| Property, plant and equipment | 33  | XXX  | XXX  |
| Investments | 32  | XXX  | XXX  |
| Intangible assets | 34  | XXX  | XXX  |
| Investment property | 35  | XXX  | XXX  |
| Long term receivables from exchange transactions | 29(b)  | XXX  | XXX  |
| **Total Non- Current Assets** |  | **XXX**  | **XXX**  |
|  |  |  |  |
| **Total** **Assets** |   | **XXX**  | **XXX**  |
|  |  |  |  |
| **Liabilities** |   |   |   |
|  |  |  |  |
| **Current** **Liabilities** |   |   |   |
| Trade and other payables  | 36  | XXX  | XXX  |
| Refundable deposits from customers | 37  | XXX  | XXX  |
| Current Provision | 38  | XXX  | XXX  |
| Finance lease obligation | 39 | XXX  | XXX  |
| Current portion of borrowings | 43  | XXX  | XXX  |
| Deferred income | 40  | XXX  | XXX  |
| Employee benefit obligation | 41 | XXX  | XXX  |
| Taxation | 51  | XXX  | XXX  |
| **Total Current Liabilities** |   | **XXX**  | **XXX**  |
|  |  |  |  |
| **Non-Current** **Liabilities** |   |   |   |
| Non-current employee benefit obligation | 41  | XXX  | XXX  |
| Non-current provisions | 42  | XXX  | XXX  |
| Borrowings | 43 | XXX  | XXX  |
| Service concession liability | 44  | XXX  | - |
| Deferred tax liabilities | 52 | XXX  | XXX  |
| **Total Non- Current Liabilities** |   | **XXX**  | **XXX**  |
|  |  |  |  |
| **Total** **Liabilities** |   | **XXX**  | **XXX**  |
|  |  |  |  |
| **Net** **assets** |   |  |  |
| Reserves |   | XXX  | XXX  |
| Accumulated surplus |   | XXX  | XXX  |
| Capital Fund |   | XXX  | XXX  |
| Total Net Assets |  | XXX  | XXX  |
| **Total Net Assets and Liabilities** |   | **XXX**  | **XXX**  |

The Financial Statements set out on pages xxx to xxx were signed on behalf of the Board of Directors by:

Accounting Officer Head of Finance Chairman of the Board

 Name: Name Name:

 ICPAK Member Number:

 Date Date Date

# 15 STATEMENT OF CHANGES IN NET ASSETS

**FOR THE YEAR ENDED 30 JUNE 2021**

|  |  **notes** | **Ordinary share capital** | **Revaluation reserve** | **Fair value adjustment reserve** | **Retained earnings** | **Proposed dividends** | **Capital/****Development Grants/Fund** | **Total** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **As at July 1, 2020** |  | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
| Issued new capital |  | xxx | - | - | - | - | - | xxx |
| Revaluation gain |  | - |  | - | - | - | - | xxx |
| Transfer of excess depreciation on revaluation |  | - | (xxx) | - | xxx | - | - | - |
| Deferred tax on excess depreciation |  | - | xxx | - | - | - | - | xxx |
| Fair value adjustment on quoted investments |  | - | - | xxx | - | - | - | xxx |
| Surplus/ Deficit 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 – 2020 |  | - | - | - | - | (xxx) | (xxx) | (xxx) |
| Interim dividends paid – 2021 |  | - | - | - | (xxx) | - | - | (xxx) |
| Proposed final dividends |  | - | - | - | (xxx) | xxx | xxx | - |
| **As at June 30, 2021** |  | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
|  |  |  |  |  |  |  |  |  |
| **As at July 1, 2021** |  | **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 |
| Surplus/ deficit 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 – 2021 |  | - | - | - | - | (xxx) | (xxx) | (xxx) |
| Interim dividends paid – 2021 |  | - | - | - | (xxx) | - | - | (xxx) |
| Proposed final dividends |  | - | - | - | (xxx) | xxx | xxx | - |
| **As at June 30, 2021** |  | **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.***

# 16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

|  |   | **2020-2021** | **2019-2020** |
| --- | --- | --- | --- |
|  | **Notes** | **Kshs** | **Kshs** |
| **Cash** **flows** **from** **operating** **activities** |  |  |  |
| **Receipts** |   |   |   |
| Transfers from other governments entities |   | XXX  | XXX  |
| Levies, Fines, and penalties |   | XXX  | XXX  |
| Public contributions and donations |   | XXX  | XXX  |
| Property taxes revenue |   | XXX  | XXX  |
| Licenses and permits |   | XXX  | XXX  |
| Rendering of services |   | XXX  | XXX  |
| Sale of goods |   | XXX  | XXX  |
| Rental revenue from facilities and equipment |   | XXX  | XXX  |
| Finance income  |   | XXX  | XXX  |
| Other income |  | XXX  | XXX  |
| **Total Receipts** |   | **XXX**  | **XXX**  |
| **Payments** |   |   |   |
| Use of goods and services |   | XXX  | XXX  |
| Employee costs |   | XXX  | XXX  |
| Remuneration of directors |   | XXX  | XXX  |
| Depreciation and amortization expense |   | XXX  | XXX  |
| Repairs and maintenance |   | XXX  | XXX  |
| Contracted services |   | XXX  | XXX  |
| Grants and subsidies |   | XXX  | XXX  |
| **Total Payments** |   | **XXX**  | **XXX**  |
| **Net** **cash** **flows** **from/(used in)** **operating** **activities**  | 45 | **XXX**  | **XXX**  |
|  |  |  |  |
| **Cash flows from investing activities** |   |   |   |
| Purchase of property, plant, equipment and intangible assets | (XXX) | (XXX) |
| Proceeds from sale of property, plant and Equipment |   | XXX  | XXX  |
| Decrease/(Increase) in non-current receivables |   | XXX  | XXX  |
| Purchase of investments |   | (XXX) | (XXX) |
| Sale of investments |  | XXX | XXX |
| **Net** **cash** **flows from/(used** **in)** **investing** **activities** |   | **XXX** | **XXX** |
|  |  |  |  |
| **Cash** **flows** **from** **financing** **activities** |   |   |   |
| Proceeds from borrowings |   | XXX | XXX |
| Repayment of borrowings |   | (XXX) | (XXX) |
| Proceeds from issue of shares |  | XXX | XXX |
| Increase in capital funds |   | XXX  | XXX  |
| **Net cash flows from /(used in) financing activities** |   | **XXX**  | **XXX**  |
|  |  |  |
| **Net** **increase/(decrease)** **in** **cash** **and** **cash equivalents** | **XXX**  | **(XXX)** |
| Cash and cash equivalents at 1 JULY | 28 | XXX  | XXX  |
| **Cash** **and** **cash** **equivalents** **at** **30 JUNE** | 28 | **XXX**  | **XXX**  |

***(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. Entities should use the direct method of cash flow preparation as shown above)***

The Financial Statements set out on pages xxx to xxx were signed on behalf of the Board of Directors by:

Accounting Officer Head of Finance Chairman of the Board

 Name: Name Name:

 ICPAK Member Number:

 Date Date Date

# 17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

|   | **Original** **budget** | **Adjustments** | **Final** **budget** | **Actual** **on comparable basis** | **Performance difference** | **% of utilisation** |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Kshs**  | **Kshs**  | **Kshs**  | **Kshs**  | **Kshs**  |  |
|   | **A** | **b** | **C=(a+b)** | **d** | **e=(c-d)** | **F=d/c** |
| **Revenue** |  |  |  |  |  |  |
| Transfers from other governments entities | XXX  | - | XXX  | XXX  | (XXX) | XXX  |
| Levies, Fines, and penalties | XXX  | (XXX) | XXX  | XXX  | (XXX) | XXX  |
| Public contributions and donations | XXX  | (XXX) | XXX  | XXX  | (XXX) | XXX  |
| Property taxes revenue | XXX  | - | XXX  | XXX  | XXX  | XXX  |
| Licenses and permits | XXX  | - | XXX  | XXX  | XXX  | XXX  |
| Rendering of services | XXX  | (XXX) | XXX  | XXX  | (XXX) | XXX  |
| Sale of goods | XXX  | - | XXX  | XXX  | (XXX) | XXX  |
| Rental revenue from facilities and equipment | XXX  | - | XXX  | XXX  | XXX  | XXX  |
| Finance income  | XXX  | XXX  | XXX  | XXX  | (XXX) | XXX  |
| Agency Income | XXX  | XXX  | XXX  | XXX  | (XXX) | XXX  |
| Other income | XXX  | XXX  | XXX  | XXX  | (XXX) | XXX  |
| **Total** **income** | **XXX**  | **(XXX)** | **XXX**  | **XXX**  | **(XXX)** | **XXX**  |
| **Expenses** |   |   |   |   |   |   |
| Use of goods and services | XXX  | - | XXX  | XXX  | (XXX) | XXX  |
| Employee costs | XXX  | (XXX) | XXX  | XXX  | (XXX) | XXX  |
| Remuneration of directors | XXX  | (XXX) | XXX  | XXX  | (XXX) | XXX  |
| Depreciation and amortization expense | XXX  | (XXX) | XXX  | XXX  | - | XXX  |
| Repairs and maintenance | XXX  | XXX  | XXX  | XXX  | XXX  | XXX  |
| Contracted services | XXX  | - | XXX  | XXX  | (XXX) | XXX  |
| Grants and subsidies | XXX  | - | XXX  | XXX  | - | XXX  |
| **Total** **expenditure** | **XXX**  | **(XXX)** | **XXX**  | **XXX**  | **(XXX)** | **XXX**  |
| **Surplus** **for** **the** **period** | **XXX**  | **XXX**  | **XXX**  | **XXX**  | **XXX**  | **XXX**  |

***Budget notes***

***1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14***

***2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)***

***3. 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.***

# 18. 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

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 Public Sector Accounting Standards (IPSAS) 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 5 of these financial statements.

 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 Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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

1. **Adoption of New and Revised Standards**
2. ***New and amended standards and interpretations in issue effective in the year ended 30 June 2021*.**

| **Standard** | **Impact** |
| --- | --- |
| Other Improvements to IPSAS | **Applicable: 1st January 2021:**1. Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.
2. IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.

Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.1. IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.

Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.1. IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).

Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.*(Entity to state the impact of the amendments to the financial statements)* |

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

1. ***New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021****.*

| **Standard** | **Effective date and impact:** |
| --- | --- |
| **IPSAS 41:** Financial Instruments | **Applicable: 1st January 2023:**The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows.IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.***(State the impact of the standard to the entity if relevant)*** |
| **IPSAS 42:** Social Benefits | **Applicable: 1st January 2023**The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity’s financial performance, financial position and cash flows.***(State the impact of the standard to the entity if relevant)*** |
| Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments | **Applicable: 1st January 2023:**1. Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.
2. Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.
3. Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.

Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.***(State the impact of the standard to the entity if relevant)*** |

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

The entity did not early – adopt any new or amended standards in year 2020/2021.

1. **Summary of Significant Accounting Policies**
2. **Revenue recognition**
3. **Revenue from non-exchange transactions**

**Fees, taxes and fines**

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. 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.

**Rendering of services**

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

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

**Summary of Significant Accounting Policies (Continued)**

**Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

**Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**ii) Revenue from exchange transactions**

**Dividends**

Dividends or similar distributions must be recognized when the shareholder’s or the entity’s right to receive payments is established.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

1. **Budget information**

The original budget for FY 2020-2021 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 *xxxx* on the 2020-2021 budget following the governing body’s approval.

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

**Summary of Significant Accounting Policies (Continued)**

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.

1. **Taxes**

**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. 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.

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

**Summary of Significant Accounting Policies (Continued)**

**Deferred tax**

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

***Sales tax***

Expenses and assets are recognized net of the amount of sales tax, except:

1. When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
2. When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1. **Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

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

**Summary of Significant Accounting Policies (Continued)**

1. **Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

1. **Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

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

**Summary of Significant Accounting Policies (Continued)**

1. **Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

1. **Research and development costs**

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

1. The technical feasibility of completing the asset so that the asset will be available for use or sale
2. Its intention to complete and its ability to use or sell the asset
3. How the asset will generate future economic benefits or service potential
4. The availability of resources to complete the asset
5. The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

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

**Summary of Significant Accounting Policies (Continued)**

1. **Financial instruments**
2. **Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and

receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

**Held-to-maturity.**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

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

**Summary of Significant Accounting Policies (Continued)**

**Impairment of financial assets**

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

1. The debtors or an entity of debtors are experiencing significant financial difficulty.
2. Default or delinquency in interest or principal payments
3. The probability that debtors will enter bankruptcy or other financial reorganization.
4. Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults)
5. **Financial liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition., All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

**Loans and borrowing**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

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

**Summary of Significant Accounting Policies (Continued)**

1. **Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

1. Raw materials: purchase cost using the weighted average cost method.
2. Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

1. **Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

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

**Summary of Significant Accounting Policies (Continued)**

1. **Contingent liabilities**

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

1. **Contingent assets**

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset’s value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

1. **Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

1. **Changes in accounting policies and estimates**

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

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

**Summary of Significant Accounting Policies (Continued)**

1. **Employee benefits**

**Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

1. **Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

1. **Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

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

**Summary of Significant Accounting Policies (Continued)**

1. **Related parties**

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

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. **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 financial year. 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.

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

**Summary of Significant Accounting Policies (Continued)**

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, 2021.

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

The preparation of the Entity's financial statements in conformity with IPSAS 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

**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 consolidated 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. IPSAS 1.140

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

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

**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:

1. The condition of the asset based on the assessment of experts employed by the Entity.
2. The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
3. The nature of the processes in which the asset is deployed.
4. Availability of funding to replace the asset.
5. Changes in the market in relation to the asset

**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 40.**

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 (Continued)**

1. **Transfers from Other Government Entities**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| **Unconditional** **grants** |  |  |
| Operational grant | xxx | xxx |
| Other grants | xxx | xxx |
| **Total Unconditional Grants** | **xxx** | **xxx** |
| **Conditional** **grants** |  |  |
| National housing grant | xxx | xxx |
| National infrastructure grant | xxx | xxx |
| Provincial health grant | xxx | xxx |
| Social services grant | xxx | xxx |
| Basic services subsidy | xxx | xxx |
| Transportation fund (international funding) | xxx | xxx |
| Other organizational grants | xxx | xxx |
| **Total** **government** **grants** **and** **subsidies** | **xxx** | **xxx** |

*(Explain the purpose of funding)*

**b) Transfers from Ministries, Departments and Agencies (MDAs)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name of the Entity sending the grant** | **Amount recognized to Statement of Financial performance****KShs** | **Amount deferred under deferred income** **KShs** | **Amount recognised in capital fund.** | **Total transfers 2020/21** | **Prior year****2019/2020** |
|  |  |  |
| **KShs** | **KShs**  | **KShs** |
| xxx Ministry/State Department |  xxx |  xxx |  xxx |  xxx |  xxx |
|  xxx Ministry |  xxx |  xxx |  xxx |  xxx |  xxx |
| **Total** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |

*(Ensure that the amount recorded above as having been received from the Ministry fully reconciles to the amount recorded by the sending entity Ministry. An acknowledgement note/receipt should be raised in favour of the sending Ministry. The details of the reconciliation have been included under appendix xxx)*

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

1. **Levies, Fines and Penalties**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| Fuel levy | xxx | xxx |
| Other levies (Specify) | xxx | xxx |
| Fines | xxx | xxx |
| Penalties | xxx | xxx |
| **Total** | **xxx** | **xxx** |

(Provide brief explanation for this revenue)

1. **Public Contributions and Donations**

| **Description** | **2020-2021** | **2019-2020** |
| --- | --- | --- |
|  | **KShs** | **KShs**  |
| The Green Belt Movement | xxx | Xxx |
| Health donations | xxx | Xxx |
| Research donations | xxx | Xxx |
| Other public donations (specify) | xxx | Xxx |
| **Total transfers and sponsorships** | **xxx** | **xxx** |
| **Reconciliation of public contributions and donations** |
| Balance unspent at beginning of the year | xxx | xxx |
| Current year receipts | xxx | xxx |
| Conditions met - transferred to revenue | xxx | xxx |
| Conditions to be met - remain liabilities  | **xxx** | **xxx** |

(Provide brief explanation for this revenue)

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

1. **Property Taxes Revenue**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| **Taxable land and buildings** |  |  |
| Residential | xxx | Xxx |
| Commercial | xxx | Xxx |
| State | xxx | Xxx |
| Penalties | xxx | Xxx |
| **Sub- total property and taxes** | **xxx** | **Xxx** |
| Income forgone | (xxx) | (xxx) |
| **Total property taxes revenue** | **xxx** | **Xxx** |

(Provide brief explanation for this revenue)

1. **Licenses, Fees and Permits**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| Licenses  | xxx | Xxx |
| Fees | xxx | Xxx |
| Permits | xxx | Xxx |
| **Total** | **xxx** | **Xxx** |

(Provide brief explanation for this revenue)

1. **Rendering Of Services**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| Waste management (solid waste) | xxx | Xxx |
| Waste management (sewerage and sanitation) | xxx | Xxx |
| Service fees | xxx | Xxx |
| Water quality | xxx | Xxx |
| Quality assurance |  |  |
| **Total** **revenue** **from** **the** **rendering** **of** **services** | **xxx** | **Xxx** |

(Provide brief explanation for this revenue)

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

1. **Sale of Goods**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| **Sale of goods** |  |  |
| Sale of electricity | xxx | Xxx |
| Sale of water | xxx | Xxx |
| Sale of books | xxx | Xxx |
| Sale of publications | xxx | Xxx |
| Other (include in line with your organisation) | xxx | Xxx |
| **Total** **revenue** **from** **the** **sale** **of** **goods** | **xxx** | **Xxx** |

(Provide brief explanation for this revenue)

1. **Rental Revenue from Facilities and Equipment**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| Operating lease revenues | xxx | Xxx |
| Staff houses | xxx | Xxx |
| Contingent rentals\* | xxx | Xxx |
| **Total** **rentals** | **xxx** | **Xxx** |

(*Provide brief explanation for this revenue*)

**\****Contingent rentals include hire grounds, institutional facilities like halls, kitchen etc.*

1. **Finance Income**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| Cash investments and fixed deposits | xxx | Xxx |
| Interest income from Treasury Bills | xxx | Xxx |
| Interest income from Treasury Bonds | xxx | Xxx |
| Interest from outstanding debtors | xxx | Xxx |
| **Total** **finance** **income**  | **xxx** | **Xxx** |

(*Provide brief explanation for this revenue*)

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

1. **Other Income**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| Insurance recoveries | xxx | xxx |
| Bulk infrastructure levies | xxx | xxx |
| Infrastructure improvement fee | xxx | xxx |
| Income from sale of tender | xxx | xxx |
| Services concession income | xxx | xxx |
| Skills development levy | xxx | xxx |
| Agency fee | xxx | xxx |
| **Total** **other** **income** | **xxx** | **xxx** |

*(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified*).

1. **Use of Goods and Services**

| **Description** | **2020-2021** | **2019-2020** |
| --- | --- | --- |
|  | **KShs** | **KShs**  |
| Electricity | xxx | Xxx |
| Water | xxx | Xxx |
| Security | xxx | Xxx |
| Professional services | xxx | Xxx |
| Subscriptions | xxx | Xxx |
| Advertising | xxx | Xxx |
| Admin fees | xxx | Xxx |
| Audit fees | xxx | Xxx |
| Conferences and delegations | xxx | Xxx |
| Consulting fees | xxx | Xxx |
| Consumables | xxx | Xxx |
| Fuel and oil | xxx | Xxx |
| Insurance | xxx | Xxx |
| Legal expenses | xxx | Xxx |
| Licenses and permits | xxx | Xxx |
| Chemicals | xxx | Xxx |
| Water purification cost | xxx | Xxx |
| Postage | xxx | Xxx |
| Printing and stationery | xxx | Xxx |
| Hire charges | xxx | Xxx |
| Rental | xxx | Xxx |
| Security costs | xxx | Xxx |
| Sewage treatment costs | xxx | Xxx |
| Skills development levies | xxx | Xxx |
| Inventory scrapping | xxx | Xxx |
| Telecommunication | xxx | Xxx |
| Training | xxx | Xxx |
| Travel, accommodation, subsistence and other allowances\* |  |  |
| Other general expenses | xxx | Xxx |

*\*Travel, accommodation, subsistence and other allowances- Where this cost has been budgeted under employee costs, please report it under note 17*

1. **Employee Costs**

|  |  |  |
| --- | --- | --- |
|  | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| Salaries and wages | xxx | xxx |
| Employer contribution to health insurance schemes | xxx | xxx |
| Employer contribution to pension schemes | xxx | xxx |
| Travel, motor car, accommodation, subsistence, and other allowances | xxx | xxx |
| Housing benefits and allowances | xxx | xxx |
| Overtime payments | xxx | xxx |
| Performance and other bonuses | xxx | xxx |
| Social contributions | xxx | xxx |
| Gratuity | xxx | xxx |
| Other employee related costs \* | xxx | xxx |
| **Employee** **costs** | **xxx** | **xxx** |

\* *Other employee related costs- please provide a brief explanation for these costs*.

1. **Board /Council Expenses**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| Chairman/Directors’ Honoraria | xxx | xxx |
| Sitting allowances | xxx | xxx |
| Medical Insurance | xxx | xxx |
| Induction and Training | xxx | xxx |
| Travel and accommodation | xxx | xxx |
| Other allowances | xxx | xxx |
| **Total**  | **xxx** | **xxx** |

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

1. **Depreciation and Amortization Expense**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| Property, plant and equipment | xxx | xxx |
| Intangible assets | xxx | xxx |
| Investment property carried at cost | xxx | xxx |
| **Total** **depreciation** **and** **amortization** | **xxx** | **xxx** |

1. **Repairs and Maintenance**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| Property | xxx | xxx |
| Investment property – earning rentals | xxx | xxx |
| Equipment and machinery | xxx | xxx |
| Vehicles | xxx | xxx |
| Furniture and fittings | xxx | xxx |
| Computers and accessories | xxx | xxx |
| Others | xxx | xxx |
| **Total** **repairs** **and** **maintenance** | **xxx** | **xxx** |

1. **Contracted Services**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| Actuarial valuations | xxx | Xxx |
| Investment valuations | xxx | Xxx |
| Property valuations | xxx | Xxx |
| **Total** **contracted** **services** | **xxx** | **Xxx** |

1. **Grants and Subsidies**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| Community development | xxx | xxx |
| Education initiatives and programs | xxx | Xxx |
| Social development | xxx | Xxx |
| Community trust | xxx | Xxx |
| Sporting bodies | xxx | Xxx |
| **Total** **grants** **and** **subsidies** | **xxx** | **Xxx** |

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

1. **Finance Costs**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| Borrowings (amortized cost)\* | xxx | xxx |
| Finance leases (amortized cost) | xxx | xxx |
| Unwinding of discount | xxx | xxx |
| Interest on Bank overdrafts | xxx | xxx |
| Interest on loans from commercial banks | xxx | xxx |
| **Total** **finance** **costs** | **xxx** | **xxx** |

**\****Borrowing costs that relate to interest expense on acquisition of non- current assets and do not qualify for Capitalisation as per IPSAS 5: on borrowing costs should be included under this note.)*

1. **Gain on Sale of Assets**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
|  | xxx | xxx |
| Property, plant and equipment | xxx | xxx |
| Intangible assets | xxx | xxx |
| Other assets not capitalised | xxx | xxx |
| **Total** **gain** **on** **sale** **of** **assets** | **xxx** | **xxx** |

1. **Unrealized Gain on Fair Value Investments**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| Investments at fair value | xxx | xxx |
| **Total** **gain** | **xxx** | **xxx** |

1. **Impairment Loss**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| Property, plant and equipment | xxx | Xxx |
| Intangible assets | xxx | Xxx |
| **Total** **impairment** **loss** | **xxx** | **Xxx** |

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

1. **Taxation**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| Current income tax charge | xxx | xxx |
| Tax charged on rental income | xxx | xxx |
| Tax charged on interest income | xxx | xxx |
| **Deferred** **tax:** [Note 53] | xxx | xxx |
| Original and reversal of temporary differences | xxx | xxx |
| **Income tax expense reported in the statement of financial performance** | **xxx** | **xxx** |

1. **Cash and Cash Equivalents**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| Current account | xxx | Xxx |
| Savings account | xxx | Xxx |
| On - call deposits | xxx | Xxx |
| Fixed deposits account | xxx | Xxx |
| Staff car loan/ mortgage | xxx | Xxx |
| Others(specify) | xxx | Xxx |
| **Total** **cash** **and** **cash** **equivalents** | **xxx** | **Xxx** |

*(The amount should agree with the closing and opening balances as included in the statement of cash flows)*

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

**28 (a) Detailed Analysis of the Cash and Cash Equivalents**

|  |  | **2020-2021** | **2019-2020** |
| --- | --- | --- | --- |
| **Financial institution** | **Account number** | **KShs** | **KShs**  |
| 1. **Current account**
 |  |  |  |
| Kenya Commercial bank |  | xxx | Xxx |
| Equity Bank, etc |  | xxx | Xxx |
| **Sub- total** |  | **xxx** | **Xxx** |
| 1. **On - call deposits**
 |  |  |  |
| Kenya Commercial bank |  | xxx | Xxx |
| Equity Bank – etc |  | xxx | Xxx |
| **Sub- total** |  | **xxx** | **Xxx** |
| 1. **Fixed deposits account**
 |  |   |   |
| Kenya Commercial bank |  | xxx | Xxx |
| Bank B |  | xxx | Xxx |
| **Sub- total** |  | **xxx** | **Xxx** |
| 1. **Staff car loan/ mortgage**
 |  |   |   |
| Kenya Commercial bank |  | xxx | Xxx |
| Bank B |  | xxx | Xxx |
| **Sub- total** |  | **xxx** | **Xxx** |
| 1. **Others(specify)**
 |  | xxx | Xxx |
| Cash in transit |  | xxx | Xxx |
| cash in hand |  | xxx | Xxx |
| Mobile money accounts |  | xxx | Xxx |
| **Sub- total** |  | **xxx** | **Xxx** |
| **Grand total** |  | **xxx** | **Xxx** |

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

1. **Receivables from Exchange Transactions**

**29(a) Current Receivables from Exchange Transactions**

|  |  |  |
| --- | --- | --- |
|  | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| **Current** **receivables** |  |  |
| Service, water and electricity debtors | xxx | Xxx |
| Other exchange debtors | xxx | Xxx |
| **Total** **current** **receivables** | **xxx** | **Xxx** |

**29(b) Long- term Receivables from Exchange Transactions**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| **Total Receivables** |  |  |
| Service, water and electricity debtors | xxx | xxx |
| Other exchange debtors | xxx | xxx |
| Less: impairment allowance | (xxx) | (xxx) |
|  | **xxx** | **xxx** |
| Current portion transferred to current receivables | (xxx) | (xxx) |
| **Total** **non-current** **receivables** | **xxx** | **xxx** |
| **Total** **receivables (a+b)** | **xxx** | **xxx** |

**29 (c) Reconciliation for Impairment Allowance on Receivables from Exchange Transactions**

|  |  |  |
| --- | --- | --- |
| **Impairment Allowance/ Provision** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| At the beginning of the year | xxx | xxx |
| Additional provisions during the year | xxx | xxx |
| Recovered during the year | (xxx) | (xxx) |
| Written off during the year | (xxx) | (xxx) |
| At the end of the year | **xxx** | **xxx** |

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

1. **Receivables from Non-Exchange Transactions**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| Property tax debtors | xxx | xxx |
| Levies, Fines, and penalties | xxx | Xxx |
| Licences, fees and permits | xxx | Xxx |
| Other debtors (non-exchange transactions) | xxx | Xxx |
| Less: impairment allowance | (xxx) | (xxx) |
| **Total** **current** **receivables** | **xxx** | **Xxx** |

**30 (b) Reconciliation for Impairment Allowance on Receivables from Non-Exchange Transactions**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| At the beginning of the year | xxx | xxx |
| Additional provisions during the year | xxx | xxx |
| Recovered during the year | (xxx) | (xxx) |
| Written off during the year | (xxx) | (xxx) |
| At the end of the year | **xxx** | **xxx** |

1. **Inventories**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| Consumable stores | xxx | Xxx |
| Medical supplies | xxx | xxx |
| Spare parts and meters | xxx | xxx |
| Water for distribution | xxx | xxx |
| Other goods held for resale | xxx | xxx |
| Catering | xxx | xxx |
| Less: Allowance for impairment | (xxx) | (xxx) |
| **Total** **inventories** **at** **the** **lower** **of** **cost** **and** **net** **realizable** **value** | **xxx** | **xxx** |

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

1. **Investments**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| 1. **Investment in Treasury bills and bonds**
 |  |  |
| **Financial institution** |  |  |
| CBK | xxx | xxx |
| CBK | xxx | xxx |
| **Sub- total** | **xxx** | **xxx** |
| 1. **Investment with Financial Institutions/ Banks**
 |   |   |
| Bank x | xxx | xxx |
| Bank y | xxx | xxx |
| **Sub- total** | **xxx** | **xxx** |
| 1. **Equity investments (specify)**
 |   |   |
| Equity/ shares in entity xxx | xxx | xxx |
| **Sub- total** | **xxx** | **xxx** |
| **Grand total** | **xxx** | **xxx** |

1. **Movement of Equity Investments**

|  |  |  |
| --- | --- | --- |
| **Impairment Allowance/ Provision** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| At the beginning of the year | xxx | xxx |
| Purchase of investments in the year | xxx | xxx |
| Sale of investments during the year | (xxx) | (xxx) |
| Increase /(decrease ) in fair value of investments | xxx | xxx |
| At the end of the year | **xxx** | **xxx** |

**e) Shareholding in other entities**

For investments in equity share listed under note 32 above, list down the equity investments under the following categories:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name of entity where investment is held** | **No of shares** | **Nominal value of shares** | **Fair value of shares** | **Fair value of shares** |
|  | **Direct shareholding** | **Indirect shareholding** | **Effective shareholding** |  | **Current year** | **Prior year** |
|  | **%** | **%** | **%** | **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. **Property, Plant and Equipment**

|  | **Land and****Buildings** | **Motor vehicles** | **Furniture and fittings** | **Computers** | **Other Assets****(specify)** | **Plant and****equipment** | **Capital****Work in progress**  | **Total** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Cost** | **Shs** | **Shs** | **Shs**  | **Shs**  | **Shs**  | **Shs**  | **Shs**  | **Shs**  |
| As at 1July 2019 | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** |
| Additions | XXX | XXX | XXX | **-** | **XXX** | **-** | **XXX** | **XXX** |
| Disposals | (XXX) | (XXX) | **-** | **-** | (XXX) | **-** | (XXX) | **(XXX)** |
| Transfers/adjustments | XXX | (XXX) | **XXX** | (XXX) | (XXX) | **-** | **XXX** | **(XXX)** |
| **As at 30th June 2020** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** |
| Additions | XXX | XXX | XXX | - | XXX | XXX | XXX | **XXX** |
| Disposals | (XXX) | - | - | - | (XXX) | - | (XXX) | **(XXX)** |
| Transfer/adjustments | (XXX) | XXX | XXX | (XXX) | (XXX) | - | XXX | **(XXX)** |
| **As at 30th June 2021** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** |
| **Depreciation and impairment** |  |  |  |  |  |  |  |  |
| At 1July 2019 | (XXX) | (XXX) | (XXX) | (XXX) | (XXX) | - | (XXX) | **(XXX)** |
| Depreciation | (XXX) | (XXX) | (XXX) | (XXX) | (XXX) | - | (XXX) | **(XXX)** |
| Impairment | (XXX) | - | - | - | (XXX) | - | - | **(XXX)** |
| Transfers/ Adjustments | (XXX) | XXX | XXX | (XXX) | (XXX) | - | XXX | **(XXX)** |
| **As at** **30 June 2020** | **XXX** | **XXX** | **XXX** | **XXX** | **X(XX** | **XXX** | **XXX** | **XXX** |
| Depreciation | (XXX) | (XXX) | (XXX) | - | (XXX) | (XXX) | (XXX) | **(XXX)** |
| Disposals | XXX | - | - | - | XXX | - | XXX | **XXX** |
| Impairment | (XXX) | (XXX) | - | - | (XXX) | - | - | **(XXX)** |
| Transfer/adjustment | XXX | (XXX) | (XXX) | XXX | (XXX) | - | (XXX) | **XXX** |
| **As at 30th June 2021** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** |
| **Net book values** |  |  |  |  |  |  |  |  |
| **As at 30th June 2021** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** |
| **As at 30th June2020** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** | **XXX** |

***(Include a brief description of WIP as a footer.)***

**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.

**33 (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**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| **Cost** |  |  |
| **At beginning of the year** | xxx | xxx |
| Additions | xxx | xxx |
| **At end of the year** | xxx | xxx |
| Additions–internal development | xxx | xxx |
| **At end of the year** | xxx | xxx |
| **Amortization and impairment** |  |  |
| **At beginning of the year** | xxx | xxx |
| Amortization | xxx | xxx |
| **At end of the year** | xxx | xxx |
| Impairment loss | xxx | xxx |
| **At end of the year** | xxx | xxx |
| **NBV** | xxx | xxx |

1. **Investment Property**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| **At beginning of the year** | **xxx** | **xxx** |
| Additions | xxx | xxx |
| Disposal during the year | (xxx) | (xxx) |
| Depreciation | (xxx) | (xxx) |
| Impairment | (xxx) | (xxx) |
| **At end of the year** | **xxx** | **xxx** |

*(This note applies to investment property held at cost. For investment property held at fair value, changes in fair value should go through the statement of financial performance***).**

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

1. **Trade and Other Payables**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| Trade payables | xxx | xxx |
| Payments received in advance | xxx | xxx |
| Employee payables | xxx | xxx |
| Third-party payments | xxx | xxx |
| Other payables | xxx | xxx |
| **Total** **trade** **and** **other** **payables** | **xxx** | **xxx** |

1. **Refundable Deposits and Prepayments from Customers**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| Customer deposits | xxx | xxx |
| Prepayments | xxx | xxx |
| Other deposits | xxx | xxx |
| Payments received in advance | xxx | xxx |
| **Total** **deposits** | **xxx** | **xxx** |

1. **Current Provisions**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | **Leave provision** | **Bonus provision** | **Gratuity****Provision** | **Other provision** | **Total** |
|  | **KShs** | **KShs** | **Kshs** | **KShs** | **KShs**  |
| **Balance b/d (1.07.2020)** | **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) |
| Transfers from non -current provisions | xxx | xxx | xxx | xxx | xxx |
| **Total provisions as at 30.6.2021** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |

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

1. **Finance Lease Obligation**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **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** |

**Maturity Analysis**

|  |  |
| --- | --- |
| **Period**  | **Amount** |
| Year 1 | xxx |
| Year 2 | xxx |
| Year 3 | xxx |
| Year 4 | xxx |
| Year 5 and onwards | xxx |
| Less: Unearned interest | (xxx) |
|  | xxx |

**Analysed as:**

|  |  |
| --- | --- |
| **Description** | **Amount** |
| Current | xxx |
| Non- Current | xxx |
| **Total** | **xxx** |

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

1. **Deferred Income**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **KShs** | **KShs**  |
| National government | xxx | xxx |
| International funders | xxx | xxx |
| Public contributions and donations | xxx | xxx |
| **Total** **deferred** **income** | xxx | xxx |

**The deferred income movement is as follows:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | **National government** | **International funders** | **Public contributions and donations** | **Total** |
| Balance brought forward | **xxx** | **xxx** | **xxx** | **xxx** |
| Additions | xxx | xxx | xxx | xxx |
| Transfers to Capital fund | (xxx) | (xxx) | (xxx) | (xxx) |
| Transfers to income statement | (xxx) | (xxx) | (xxx) | (xxx) |
| Other transfers | (xxx) | (xxx) | (xxx) | (xxx) |
| Balance carried forward | **xxx** | **xxx** | **xxx** | **xxx** |

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

1. **Employee Benefit Obligations**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | **Defined benefit plan** | **Post-employment medical benefits** | **Other Benefits** | **2020-2021** | **2019-2020** |
|  | **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:

|  |  |  |
| --- | --- | --- |
|  | **2020-2021** | **2019-2020** |
|  | **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 Financial Performance:**

|  |  |  |
| --- | --- | --- |
|  | **2020-2021** | **2019-2020** |
| **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**

|  |  |  |
| --- | --- | --- |
|  | **2020-2021** | **2019-2020** |
| **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 recognised | 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 recognised as expenses in the statement of financial performance within the period they are incurred.

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

1. **Non-Current 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 38)*

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

1. **Borrowings**

|  |  |  |
| --- | --- | --- |
| **Description** | **2020-2021** | **2019-2020** |
|  | **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:

|  |  |  |
| --- | --- | --- |
|  | **2020-2021** | **2019-2020** |
|  | **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** | **2020-2021** | **2019-2020** |
|  | **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).***

1. **Service Concession Arrangements**

|  |  |  |
| --- | --- | --- |
| **Description** |  |  |
|  | **KShs** | **KShs**  |
| Fair value of service concession assets recognized under PPE | xxx | xxx |
| Accumulated depreciation to date | (xxx) | (xxx) |
| Net carrying amount | **xxx** | **xxx** |
| Service concession liability at beginning of the year | xxx | xxx |
| Service concession revenue recognized | xxx | xxx |
| Service concession liability at end of the year | **xxx** | **xxx** |

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

1. **Cash Generated from Operations**

|  | **2020-2021** | **2019-2020** |
| --- | --- | --- |
|  | **KShs** | **KShs**  |
| **Surplus for the year before tax** | **xxx** | **xxx** |
| **Adjusted for:** |  |  |
| Depreciation | xxx | xxx |
| Non-cash grants received | (xxx) | (xxx) |
| Contributed assets | (xxx) | (xxx) |
| Impairment | xxx | xxx |
| Gains and losses on disposal of assets | (xxx) | (xxx) |
| Contribution to provisions | xxx | xxx |
| Contribution to impairment allowance | xxx | xxx |
| Finance income | (xxx) | (xxx) |
| Finance cost | xxx | xxx |
| **Working Capital adjustments** |  |  |
| Increase in inventory | (xxx) | (xxx) |
| Increase in receivables | (xxx) | (xxx) |
| Increase in deferred income | xxx | xxx |
| Increase in payables | xxx | xxx |
| Increase in payments received in advance | xxx | xxx |
| **Net cash flow from operating activities** | **xxx** | **xxx** |

***(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)***

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

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 entity’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 entity 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 entity’s financial risk management objectives and policies are detailed below:

* 1. **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 entity’s management based on prior experience and their assessment of the current economic environment.

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

**Financial Risk Management**

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** |
|  |  |  |  |  |
| **As 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** |
| **As 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)***

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 entity 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 entity’s credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

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

**Financial Risk Management**

* 1. **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 entity 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** |
| **As 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** |
| **As 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)**

**Financial Risk Management**

* 1. **Market risk**

The enity 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 entity’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.

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

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

**Financial Risk Management**

 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:

**FY 2021**

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

**FY 2020**

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

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

**Financial Risk Management**

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the entity’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/Net assets** |
|  | **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 entity’s interest rate risk arises from bank deposits. This exposes the entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the entity’s deposits.

**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)**

**Financial Risk Management**

**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)

**Fair value of financial assets and liabilities**

1. **Financial instruments measured at fair value.**

**Determination of fair value and fair values hierarchy**

IPSAS 30 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:

* Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
* 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).
* 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:

|  |  |
| --- | --- |
|  |  |
|  |  **Level 1 Kshs** |  **Level 2 Kshs**  |  **Level 3 Kshs**  |  **Total Kshs**  |
| **As at 30 June 2021** |  |  |  |  |
| **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** |
| **As 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. 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 entity’s ability to continue as a going concern. The entity capital structure comprises of the following funds:

|  |  |  |
| --- | --- | --- |
|  | **2020-2021** | **2019-2020** |
|  | **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. **Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

**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 Governments
3. Other SCs and SAGAs
4. Xxx;

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

**Relates Party Disclosures**

1. Key management;
2. Board of directors;

|  | **2020-2021** | **2019-2020** |
| --- | --- | --- |
|  | **Kshs** | **Kshs** |
| **Transactions with related parties** |  |  |
| 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 |
| Others (Specify) e.g Interest and Bank charges | 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 |
| Others (specify) | XXX | XXX |
| **Total** | **XXX** | **XXX** |
| 1. **Grants /Transfers 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** |  |  |
| 1. **Key management compensation**
 |  |  |
| Directors’ emoluments | XXX | XXX |
| Compensation to key management | XXX | XXX |
| **Total** | **XXX** | **XXX** |

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

1. **Segment Information**

*(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an entity to present segmental information of each geographic region or department to enable users understand the entity’s performance and allocation of resources to different segments)*

1. **Contingent Assets and Contingent Liabilities**

**Contingent Assets**

|  |  |  |
| --- | --- | --- |
|  | **2020-2021** | **2019-2020** |
|  | **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**

|  |  |  |
| --- | --- | --- |
|  | **2020-2021** | **2019-2020** |
|  | **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** |

*(Give details)*

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

1. **Capital Commitments**

|  |  |  |
| --- | --- | --- |
| **Capital commitments** | **2020-2021** | **2019-2020** |
|  | **Kshs** | **Kshs** |
| Authorised for | xxx | Xxx |
| Authorised and contracted for | xxx | Xxx |
| **Total** | **xxx** | **Xxx** |

*(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)*

1. **Surplus Remission**

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. ***In line with this legal requirement the entity remitted Kshs xxx (FY 2020 Kshs xxx). Or The entity did not make any surplus during the year (FY 2020 Nil) and hence no remittance to the Consolidated Fund.***

***[ Entities to edit accordingly***].

The Surplus Remission has been computed as follows:

|  |  |  |
| --- | --- | --- |
|  | **2020-2021** | **2019-2020** |
|  | **Kshs** | **Kshs** |
| Surplus for the period | XXX | XXX |
| Less: Allowable deductions by NT | (XXX) | (XXX) |
| 90% computation (Included in Statement of Financial performance) | XXX | XXX |

**Surplus Remission Payable**

|  |  |  |
| --- | --- | --- |
|  | **2020-2021** | **2019-2020** |
|  | **Kshs** | **Kshs** |
| Payable at the beginning of the year | XXX | XXX |
| Paid during the year | (XXX) | (XXX) |
| **Payable at end of the year** | **XXX** | **XXX** |

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

1. **Taxation**

|  |  |  |
| --- | --- | --- |
|  | **2020-2021** | **2019-2020** |
|  | **Kshs** | **Kshs** |
| At beginning of the year | XXX | XXX |
| Income tax charge for the year (note 27) | XXX | XXX |
| Under/(over) provision in prior year/s (note 27) | XXX | XXX |
| Income tax paid during the year | (XXX) | (XXX) |
| At end of the year | XXX | XXX |

*[Provide short appropriate explanations as necessary]*

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/(asset)** | **XXX** | **XXX** |
| **The movement on the deferred tax account is as follows:** |  |  |
| **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** |

*(In ordinary circumstances public sector entities under IPSAS are not expected to pay taxes on surplus funds. However, in specific cases where this is applicable an organisation is supposed to seek guidance on accounting for income taxes from IAS 12)*

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

1. **Events after the Reporting Period**

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

1. **Ultimate And Holding Entity**

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of xxx. Its ultimate parent is the Government of Kenya.

1. **Currency**

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

# APPENDIX

**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. Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
4. Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Director General/C.E. O/M.D (enter title of head of entity)

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

**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

Projects implemented by the State Corporation/ SAGA Funded by development partners and/ or the Government.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **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 2020/2021** |   |   |   |
| **a.** | **Recurrent Grants** |   |   |   |
|   |   | **Bank Statement Date** | **Amount (KShs)** | **Indicate the FY to which the amounts relate** |
|   |   |   | xx |   |
|   |   |   | 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 |   |
|   |   |   | 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** | **Date received** |  |  | **Where Recorded/recognized** |  |
| **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 |