***Issued on 30th June 2022***



*(Insert logo of the entity)*

*(Indicate actual name of the Water Company)*

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2022**

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

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# Key Entity Information

**Background information**

The *xxx-Water company Ltd* was established by the XXX Act of Parliament on (date…). At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya and has branches/regions in xxx, xxx and xxx. *(The reporting entity should refer to the relevant legislation under which it is established)*

**Principal Activities**

The principal activity of the Company is to …

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

***and core objectives)***

**Directors**

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

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

**Corporate Secretary**

Mr. XXXX

P.O. Box …**Town**

**Registered Office**

XXXX Building/House/Plaza

XXXX Avenue/Road/Highway

P.O. Box …

Nairobi, KENYA

**Corporate Headquarters**

P.O. Box XXXXX

XXX Building/House/Plaza

XXX Avenue/Road/Highway

Nairobi, KENYA

**Corporate Contacts**

Telephone: (254) XXXXXXXX

E-mail: XXXXXXXX.go.ke

Website: www.go.ke

**Corporate Bankers**

Bankers (List as appropriate)

XXX Commercial Bank

P.O Box xxxx code

Branch

**Independent Auditors**

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084GPO 00100

Nairobi, Kenya

**Principal Legal Advisers**

The Attorney General

State Law Office, Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

# The Board of Directors

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

# Management Team

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

# Chairman’s Statement

**(One page)**

*(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 outlook for the organisation). The report should be signed by the chairman of the governing body.)*

# Report Of the Managing Director

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

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

# Statement Of Performance Against Predetermined Objectives for FY 2021/2022

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

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County 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/xxx basis. The *XXX* achieved its performance targets set for the FY 20xx/20xx 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 process of appointment and removal of directors, roles and functions of the Board, existence of a board charter, the number of Board meetings held and the attendance to those meetings by members, succession plan, 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 evidence 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, 20xx which show the state of the company’s affairs.

1. **Principal activities**

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

1. **Results**

The results of the company for the year ended June 30, 20XX are set out on page …. Below is summary of the profit or loss made during the year.

1. **Dividends**

Subject to the approval of the shareholders, the Directors recommend the payment of a first and final dividend for the year of Kshs. XXX per ordinary share, amounting to Kshs. XXX million, subject to withholding tax where applicable. An interim dividend of Kshs. Nil (20xx-1 – Kshs. XXX) per ordinary share was paid in FY 20XX/XX. The total dividend for the year, therefore, is Kshs. XXX (20xx-1 – Kshs. XXX) per ordinary share. If approved, the dividend will be paid on or about xxx to shareholder registered in the books of the *entity* at the close of business on xxxx. The register of members will be closed for one day only on xxx to facilitate the preparation of dividend warrants.

Or

The company has not declared dividends for the year ended XXX due to ……

1. **Directors**

The members of the Board of Directors who served during the year are shown on page …. In accordance with Regulation … of the company’s Articles of Association.

1. **Auditors**

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the Company for the year/period ended June 30, 20XX, 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 164 of the Public Finance Management Act, 2012 and companies Act 2015*- (entities should quote the applicable legislation under which they are regulated))* require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year/period. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 20XX. This responsibility includes: (i)Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;(ii)maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii)Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv)Safeguarding the assets of the Company; (v)selecting and applying appropriate accounting policies; and (vi)Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, water act 2016 and companies Act 2015) – Company *should quote applicable legislation as indicated under which they are regulated)*.

**Statement Of Directors’ Responsibilities (Continued)**

The Directors are of the opinion that the Company’s financial statements give a true and fair view of the state of Company’s transactions during the financial year ended June 30, 20XX, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The company financial statements were approved by the Board on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 20XX and signed on its behalf by:

**Signature Signature**

**Name Name**

**Chairperson of the Board Managing Director**

# Report Of the Independent Auditors

# Statement Of Profit or Loss & Other Comprehensive Income For The Year Ended 30 June 2022.

|  | **Note** | **2021-2022** | **2020-2021** |
| --- | --- | --- | --- |
|  |  | **Kshs** | **Kshs** |
| **Revenue** |  |  |  |
| Operating Revenue | 6 | xxx | xxx |
| Grants Income | 7 | xxx | xxx |
| Other Income | 8 | xxx | xxx |
| Finance income | 9 | xxx | xxx |
| Other gains/(losses) | 10 | xxx | xxx |
| **Total Revenue** |  | **xxx** | **xxx** |
|  |  |  |  |
| **Expenses** |  |  |  |
| Staff Costs | 11 | xxx | xxx |
| General and Operations expenses | 12 | xxx | xxx |
| Board Expenses | 13 | xxx | xxx |
| Maintenance Expenses | 14 | xxx | xxx |
| Depreciation and Amortization expenses | 15 | xxx | xxx |
| Finance Costs | 16 | xxx | xxx |
| **Total Expenses** |  | **xxx** | **xxx** |
|  |  |  |  |
| **Profit/(Loss) Before Taxation** |  | **xxx** | **xxx** |
|  |  |  |  |
| **Income Tax Expense/(Credit)** | 17 | **xxx** | **xxx** |
|  |  |  |  |
| **Profit/(Loss) After Taxation** |  | **xxx** | **xxx** |
|  |  |  |  |
| Earnings Per Share – Basic And Diluted | 18 | xxx | xxx |
| Dividend per share | 19 | xxx | xxx |
|  |  |  |  |
| **Other Comprehensive Income** |  |  |  |
| **Profit/ (Loss) After Taxation** |  | xxx | xxx |
| Surplus Or Deficit On Revaluation Of PPE |  | xxx | xxx |
| Remeasurement Of Net Defined Benefit Liability |  | xxx | xxx |
| Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI |  | **xxx** | **xxx** |
| **Total Comprehensive Income For The Year** |  | xxx | xxx |

# Statement Of Financial Position As at 30 June 2022

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Note** | **2021-2022** | **2020-2021** |
|  |  | **Kshs** | **Kshs** |
| **ASSETS** |  |  |  |
| **Non-Current Assets** |  |  |  |
| Property, plant and equipment | 20 | xxx | xxx |
| Intangible assets | 21 | xxx | xxx |
| Investment property | 22 | xxx | xxx |
| Right- of -use assets | 23 | xxx | xxx |
| Biological Assets | 24 | xxx | xxx |
| Fixed interest investments | 25 | xxx | xxx |
| Quoted investments | 26 | xxx | xxx |
| Unquoted investments | 27 | xxx | xxx |
| **Total Non-Current Assets** |  | **xxx** | **xxx** |
|  |  |  |  |
| **Current Assets** |  |  |  |
| Inventories | 28 | xxx | xxx |
| Trade and receivable | 29 | xxx | xxx |
| Tax recoverable | 30 | xxx | xxx |
| Short-term deposits | 31 | xxx | xxx |
| Bank and cash balances | 32 | xxx | xxx |
| **Total Non-Current Assets** |  | **xxx** | **xxx** |
|  |  |  |  |
| **EQUITY AND LIABILITIES** |  |  |  |
|  |  |  |  |
| **Capital and Reserves** |  |  |  |
| Ordinary share capital | 33 | xxx | xxx |
| Revaluation reserve | 34 | xxx | xxx |
| Fair value adjustment reserve | 35 | xxx | xxx |
| Retained earnings | 36 | xxx | xxx |
| **Capital and Reserves** |  | **xxx** | **xxx** |
|  |  |  |  |
| **Non-Current Liabilities** |  |  |  |
| Deferred tax liability | 37 | xxx | xxx |
| Borrowings | 38 | xxx | xxx |
| Lease Liability | 39 | xxx | xxx |
| Provisions | 40 | xxx | xxx |
| Retirement Benefits | 41 | xxx | xxx |
| **Total Non-Current Liabilities** |  | **xxx** | **xxx** |
| **Current Liabilities** |  |  |  |
| Borrowings | 38 | xxx | xxx |
| Lease Liability | 39 | xxx | xxx |
| Provisions | 40 | xxx | xxx |
| Retirement benefit obligations | 41 | xxx | xxx |
| Trade and other payables | 42 | xxx | xxx |
| Customer Deposits | 43 | xxx | xxx |
| Deferred Income | 44 | xxx | xxx |
| Dividends payable | 45 | xxx | xxx |
| Taxation | 46 | xxx | xxx |
| **Total Current Liabilities** |  | **xxx** | **xxx** |
|  |  |  |  |
| **TOTAL EQUITY AND LIABILITIES** |  | **XXX** | **XXX** |

The financial statements were approved by the Board on \_\_\_\_\_\_\_\_\_\_\_\_\_\_ 2022 and signed on its behalf by:

|  |  |  |
| --- | --- | --- |
| ………………………… | ……………………………….. | ……………………………… |
| ***Name*** | ***Name*** | ***Name*** |
| **Managing Director** | **Head of Finance** | **Chairman of the Board** |
|  | **ICPAK M/No:** |  |

# Statement Of Changes In Equity For The Year Ended 30 June 2022

|  | **Notes** | **Ordinary share capital** | **Revaluation reserve** | **Fair value adjustment reserve** | **Retained earnings** | **Proposed dividends** | **Capital/**  **Development Fund** | **Total** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **As at July 1, 2020** |  | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
| New capital issued |  | xxx |  |  |  |  |  | xxx |
| Revaluation gain |  | - | xxx | - | - | - | - | xxx |
| Transfer of excess depreciation on revaluation |  | - | (xxx) | - | xxx | - | - | - |
| Deferred tax on excess depreciation |  | - | xxx | - | - | - | - | xxx |
| Fair value adjustment on quoted investments |  | - | - | xxx | - | - | - | xxx |
| Profit for the year |  | - | - | - | xxx | - | - | xxx |
| Capital/Development grants received during the year |  | - | - | - | - | - | xxx | xxx |
| Transfer of depreciation/amortisation from capital fund to retained earnings |  | - | - | - | xxx | - | (xxx) | - |
| Dividends paid – prior year |  | - | - | - | - | (xxx) | (xxx) | (xxx) |
| Interim dividends paid – current year |  | - | - | - |  | (xxx) | - | (xxx) |
| Proposed final dividends |  | - | - | - | (xxx) | xxx | xxx | - |
| **As at 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 |
| Profit for the year |  | - | - | - | xxx | - | - | xxx |
| Capital/Development grants received during the year |  | - | - | - | - | - | xxx | xxx |
| Transfer of depreciation/amortisation from capital fund to retained earnings |  | - | - | - | xxx | - | (xxx) | - |
| Dividends paid – prior year |  | - | - | - | - | (xxx) | (xxx) | (xxx) |
| Interim dividends paid – current year |  | - | - | - | (xxx) | - | - | (xxx) |
| Proposed final dividends |  | - | - | - | (xxx) | xxx | xxx | - |
| **At June 30, 2022** |  | **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.***

# Statement Of Cash Flows for The Year Ended 30 June 20xx

|  | **Note** | **2021-2022** | **2020-2021** |
| --- | --- | --- | --- |
|  |  | **Kshs** | **Kshs** |
| **Cash Flows From Operating Activities** |  |  |  |
| **Receipts** |  | xxx | xxx |
| Operating Revenue |  | xxx | xxx |
| Non-Operating Revenue |  | xxx | xxx |
| Other Income |  | xxx | xxx |
| Finance Income |  | xxx | xxx |
| Grants |  | xxx | xxx |
| Customer Deposits |  | xxx | xxx |
| **Total Receipts** |  | xxx | xxx |
|  |  |  |  |
| **Payments** |  |  |  |
| Staff Costs |  | xxx | xxx |
| Board Expenses |  | xxx | xxx |
| General And Operation Expenses |  | xxx | xxx |
| Maintenance |  | xxx | xxx |
| Finance Costs |  | xxx | xxx |
| Refund Of Customer Deposits |  | xxx | xxx |
| Total Payments |  | xxx | xxx |
| **Net Cash From/(Used In) Operating Activities** |  | **xxx** | **xxx** |
|  |  |  |  |
| **Cash Flows from Investing Activities** |  |  |  |
| Purchase Of Property, Plant And Equipment (PPE) |  | (xxx) | (xxx) |
| Proceeds From Disposal Of PPE |  | xxx | xxx |
| Purchase Of Intangible Assets |  | (xxx) | (xxx) |
| Purchase Of Investment Property |  | (xxx) | (xxx) |
| Purchase Of Quoted Investments |  | (xxx) | (xxx) |
| Proceeds From Disposal Of Quoted Investments |  | xxx | xxx |
| **Net Cash From/(Used In) Investing Activities** |  | **xxx** | **xxx** |
|  |  |  |  |
| **Cash Flows from Financing Activities** |  |  |  |
| Proceeds From Issues Of New Share Capital |  | xxx | xxx |
| Proceeds From Borrowings | 35 | xxx | xxx |
| Repayment Of Borrowings | 35 | (xxx) | (xxx) |
| Dividends Paid | 41 | (xxx) | (xxx) |
| **Net Cash From/(Used In) Financing Activities** |  | **xxx** | **xxx** |
| **Increase/(Decrease) In Cash And Cash Equivalents** |  | **xxx** | **xxx** |
|  |  |  |  |
| **Cash And Cash Equivalents At Beginning Of Year** |  | **xxx** | **xxx** |
|  |  |  |  |
| Effects Of Foreign Exchanges Rate Fluctuations |  | xxx | xxx |
|  |  |  |  |
| **Cash And Cash Equivalents At End Of The Year** |  | **xxx** | **xxx** |

# Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 20xx

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Original** **budget** | **Adjustments** | **Final** **budget** | **Actual** **on comparable basis** | **Performance difference** | **% of utilization** |
|  | **2021-2022** | **2021-2022** | **2021-2022** | **2021-2022** |  |  |
| **Revenue** | **Kshs** | **Kshs** | **Kshs** | **Kshs** | **Kshs** | Xxx% |
| Operating Revenue | xxx | xxx | xxx | xxx | xxx | xxx |
| Non-Operating Revenue | xxx | xxx | xxx | xxx | xxx | xxx |
| Grants | xxx | xxx | xxx | xxx | xxx | xxx |
| Finance Income | xxx | xxx | xxx | xxx | xxx | xxx |
| Other gains | xxx | xxx | xxx | xxx | xxx | xxx |
|  | xxx | xxx | xxx | xxx | xxx | xxx |
| **Total** **Revenue** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | xxx |
| **Expenses** |  |  |  |  |  |  |
| Staff Costs | xxx | xxx | xxx | xxx | xxx | xxx |
| Board Expenses | xxx | xxx | xxx | xxx | xxx | xxx |
| General and operations Expenses | xxx | xxx | xxx | xxx | xxx | xxx |
| Maintenance | xxx | xxx | xxx | xxx | xxx | xxx |
| Depreciation and amortization | xxx | xxx | xxx | xxx | xxx | xxx |
| Finance costs | xxx | xxx | xxx | xxx | xxx | xxx |
| Total Recurrent Expenditure | xxx | xxx | xxx | xxx | xxx | xxx |
| **Profit or Loss** | xxx | xxx | xxx | xxx | xxx | xxx |
|  |  |  |  |  |  |  |
| **Capital Expenditure** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
|  |  |  |  |  |  |  |
| **Total Expenditure** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |

***Note****:* ***PFM Act section 164(2) ii and iv requires a County Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available.***

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

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

# Notes To the Financial Statements

1. **General Information**

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

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

1. **Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in *Note xx.*

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

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

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

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

| **Title** | **Description** | **Effective Date** |
| --- | --- | --- |
| Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020) | The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. |
| Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020) | The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022. | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted |
| Amendment to IFRS 1 titled Subsidiary as a First-time Adopter | The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity. | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. |
| Amendment to IFRS 9 titled Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities | The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted |
| Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020) | The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. |

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

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

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

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

| **Title** | **Description** | **Effective Date** |
| --- | --- | --- |
| IAS 1 — Presentation of Financial Statements | IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. | The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. |
| Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020) | The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. | The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. |
| Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021) | The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their **materia**l accounting policy information rather than their **significant** accounting policies | The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. |
| IAS 12 — Income Taxes | IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. | The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. |
| IAS 8- Accounting Policies, Errors and Estimates | The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of ‘accounting estimates’ and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. | The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. |

***The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements OR The directors have elected to early adopt xxx and they expect xx to be the impact of the adoption of the entity financial statements.***

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

The entity did not early – adopt any new or amended standards in year 20xx/20xx

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

1. **Summary of Significant Accounting Policies**

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

1. **Revenue recognition**

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

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

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

**Summary of Significant Accounting Policies**

1. **In-kind contributions**

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

1. **Property, plant and equipment**

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

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

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

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

**Summary of Significant Accounting Policies**

1. **Depreciation and impairment of property, plant and equipment**

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

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

|  |  |  |
| --- | --- | --- |
| **Item** | **Years** | **Rates** |
| Freehold Land | xx | x% |
| Leasehold Land | xx | x% |
| Buildings and civil works | xx | x% |
| Infrastructure works | xx | x% |
| Plant and machinery | xx | x% |
| Motor vehicles, including motor cycles | xx | x% |
| Computers and related equipment | xx | x% |
| Office equipment, furniture and fittings | xx | x% |
|  |  |  |

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

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

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

**Summary of Significant Accounting Policies**

1. **Intangible assets**

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

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

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

1. **Investment property**

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

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

**Summary of Significant Accounting Policies**

1. **Right of Use Asset**

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

1. **Fixed interest investments (bonds)**

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

1. **Quoted investments**

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

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

**Summary of Significant Accounting Policies**

1. **Unquoted investments**

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

1. **Inventories**

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

1. **Trade and other receivables**

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

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

**Summary of Significant Accounting Policies**

1. **Taxation**
   1. **Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

1. **Deferred tax**

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

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

**Summary of Significant Accounting Policies**

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

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

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

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

**Summary of Significant Accounting Policies**

1. **Borrowing costs**

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

1. **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

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

**Summary of Significant Accounting Policies**

1. **Borrowings**

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

1. **Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

1. **Retirement benefit obligations**

The Company operates a defined contribution scheme for all full-time employees from July 1, 20XX. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company’s obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. XXX per employee per month.

1. **Provision for staff leave pay**

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

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

**Summary of Significant Accounting Policies**

1. **Exchange rate differences**

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

1. **Budget information**

The original budget for FY 20xx-20xx was approved by the Board of Directors 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 Company recorded additional appropriations of xxx on the 20xx-20xx budget following the governing body’s approval.The Company’s budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of 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 Comprehensive income has been presented under section xxx of these financial statements.

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

1. **Service** **concession arrangements**

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

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, 20xx.

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

The preparation of the Company’s financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

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

1. **Estimates and assumptions**

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

1. **Useful lives and residual values**

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

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

1. **Provisions**

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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

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

1. **Operating Revenue**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021-1** |
|  | **Kshs** | **Kshs** |
| Water sales | xxx | xxx |
| Sewerage Services | xxx | xxx |
| Billing for other services\* | xxx | xxx |
| **Total** | **xxx** | **xxx** |

*Billing for other services refers to income generated from services such as reconnection fees, sales of sludge, water analysis samples etc.*

1. **Grants Income**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021-1** |
|  | **Kshs** | **Kshs** |
| Operational grants from Government entities | xxx | xxx |
| Recurrent/operational grants from other agencies | xxx | xxx |
| Capital grants amortized | xxx | xxx |
| Donations from County Governments | xxx | xxx |
| In Kind contribution/donations from other agencies | xxx | xxx |
| **Total** | **xxx** | **xxx** |

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

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

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

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

1. **Other Income**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| Sale of Tender | xxx | xxx |
| Fine and penalties | xxx | xxx |
| Rental income | xxx | xxx |
| Insurance compensation | xxx | xxx |
| Miscellaneous income (specify) | xxx | xxx |
| **Total** | **xxx** | **xxx** |

1. **Finance Income**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
| **Description** | **Kshs** | **Kshs** |
| Interest income from treasury bonds | xxx | xxx |
| Interest income from treasury bills | xxx | xxx |
| Interest from receivables | xxx | xxx |
| Interest from commercial banks and financial institutions | xxx | xxx |
| Interest on staff loans | xxx | xxx |
| Dividends | xxx | xxx |
| **Total** | **xxx** | **xxx** |

*[Provide short appropriate explanations as necessary}*

1. **Other Gains and Losses**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
| **Description** | **Kshs** | **Kshs** |
| Foreign exchange gains / (losses) | xxx | xxx |
| Loss/gain on disposal on sale of investments | xxx | xxx |
| Gain on sale of fixed assets | xxx | xxx |
| Fair value gain/loss on biological Assets | xxx (xxx) | xxx (xxx) |
| Fair value gain or losses on revaluation of investment property | xxx | xxx |
| Revaluation losses on inventory | xxx | xxx |
| Unrealized foreign exchange gains/(losses) | xxx | xxx |
| **Total** | **XXX** | **XXX** |

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

1. **Staff Costs**

| Description | **2021-2022** | **2020-2021** |
| --- | --- | --- |
| **Kshs** | **Kshs** |
| Gross Salary and Allowances | xxx | xxx |
| Casual workers Wages | xxx | xxx |
| Medical insurance schemes | xxx | xxx |
| Employer’s contributions to social security schemes | xxx | xxx |
| Employer’s contributions to pension scheme | xxx | xxx |
| Provisions for Leave pay | xxx | xxx |
| Gratuity provisions | xxx | xxx |
| Fringe Benefit tax | xxx | xxx |
| Staff welfare | xxx | xxx |
| Other allowances | xxx | xxx |
| **Total** | **xxx** | **xxx** |
| **The average number of employees during the year** |  |  |

*[Provide short appropriate explanations as necessary]*

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

1. **General and Operations Expenses**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
| **Description** | **Kshs** | **Kshs** |
| Chemicals | xxx | xxx |
| Electricity | xxx | xxx |
| Fuel, oil, lubricants, and gases | xxx | xxx |
| Bulk water Costs | xxx | xxx |
| Office supplies | xxx | xxx |
| Uniform and protective clothing | xxx | xxx |
| Telecommunication | xxx | xxx |
| Postage and courier | xxx | xxx |
| Water and sewerage | xxx | xxx |
| Insurance | xxx | xxx |
| Rent and Rates | xxx | xxx |
| Hire of Equipment and vehicles | xxx | xxx |
| Claims and compensation | xxx | xxx |
| Domestic Traveling and subsistence | xxx | xxx |
| Foreign travel and accommodation | xxx | xxx |
| Staff training and development | xxx | xxx |
| Bank Charges | xxx | xxx |
| Security services | xxx | xxx |
| Agency commissions | xxx | xxx |
| Publicity and advertising | xxx | xxx |
| Audit fees | xxx | xxx |
| Legal fees | xxx | xxx |
| Consultancy fees | xxx | xxx |
| Licensing and levies | xxx | xxx |
| Sports and recreation | xxx | xxx |
| Stakeholders’ expenses | xxx | xxx |
| Donations/CSR | xxx | xxx |
| Hospitality expenses | xxx | xxx |
| Research and Development | xxx | xxx |
| Conservation expenses | xxx | xxx |
| Provision for doubtful debts | xxx | xxx |
| Others (Specify) | xxx | xxx |
| **Total** | **xxx** | **xxx** |

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

1. **Board Expenses**

|  |  |  |
| --- | --- | --- |
| **Description** | **2021-2022** | **2020-2021** |
|  | **KShs** | **KShs** |
| Chairman 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 Board Expenses** | **xxx** | **xxx** |

1. **Maintenance Expenses**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
| **Description** | **Kshs** | **Kshs** |
| Plant and Equipment | **xxx** | **xxx** |
| Buildings | xxx | xxx |
| Infrastructural networks | xxx | xxx |
| Grounds | xxx | xxx |
| Motor vehicles | xxx | xxx |
| Software | xxx | xxx |
| ICT | xxx | xxx |
| Furniture | xxx | xxx |
| Water Meter | xxx | xxx |
| Access roads | xxx | xxx |
| **Total Maintenance Expenses** | **xxx** | **xxx** |

1. **Depreciation and Amortization Expenses**

|  |  |  |
| --- | --- | --- |
| **Description** | **2021-2022** | **2020-2021** |
|  | **KShs** | **KShs** |
| Property, plant, and equipment | xxx | xxx |
| Right of Use Assets | xxx | xxx |
| Intangible assets | xxx | xxx |
| Investment property carried at cost | xxx | xxx |
| **Total** **Depreciation** **and** **Amortization** | **xxx** | **xxx** |

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

1. **Finance costs**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
| **Description** | **Kshs** | **Kshs** |
|  |  |  |
| Interest expense on loans | xxx | xxx |
| Interest expense on bank overdrafts | xxx | xxx |
| Interest on lease liabilities | xxx | xxx |
| Others (specify) | xxx | xxx |
| **Total** | **xxx** | **xxx** |

*[Provide short appropriate explanations as necessary]*

1. **Income Tax Expense/(Credit)**

**Current taxation**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| Current taxation based on the adjusted profit for the year at 30% | xxx | xxx |
| Current tax: prior year under/(over) provision | xxx | xxx |
| Current year deferred tax charge | xxx | xxx |
| Prior year under-provision for deferred tax | xxx | xxx |
| **Total** | **xxx** | **xxx** |

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

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| Profit before taxation | xxx | xxx |
| Tax at the applicable tax rate of 30% | xxx | xxx |
| Current tax | xxx | xxx |
| Prior year under-provision | xxx | xxx |
| Tax effects of expenses not deductible for tax purposes | xxx | xxx |
| Tax effects of income not taxable | xxx | xxx |
| Tax effects of excess capital allowances over depreciation/amortization | xxx | xxx |
| Deferred tax prior year over-provision | xxx | xxx |
| **Total** | **xxx** | **xxx** |

*[Provide short appropriate explanations as necessary]*

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

1. **Earnings Per Share**

The earnings per share is calculated by dividing the profit after tax of Kshs. XXX (2019-2020: KShs. XXX) by the average number of ordinary shares in issue during the year of XXX (2019-2020: XXX). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

1. **Dividend Per Share**

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2021, a final dividend in respect of the year ended June 30, 2021 of Kshs. XXX (2020: Kshs. XXX) for every ordinary share of par value of KShs. XXX is to be proposed. An interim dividend of Kshs. XXX (2020: Kshs. XXX) for every ordinary share of par value of KShs. XXX was declared and paid during the year. This will bring the total dividend for the year to KShs. XXX (2020: KShs. XXX).

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

1. **Property, Plant and Equipment**

| **2021-2022** | **Freehold land** | **Buildings & civil works** | **Water & Sewer Infrastructure** | **Plant and machinery** | **Motor vehicles, including, motor cycles** | **Computers & related equipment** | **Office equipment, furniture & fittings** | **Capital work in progress** | **Total** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Cost Or Valuation** |  |  |  |  |  |  |  |  |  |
| At July 1, 2020 | xxx | xxx | xxx | xxx | xxx | xxx | xxx | xxx | xxx |
| Additions | xxx | xxx | xxx | xxx | xxx | xxx | xxx | xxx | xxx |
| Transfers | - | xxx | xxx | - | - | - | - | (xxx) | - |
| Disposals | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) |
| **At June 30, 2021** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
| **Depreciation** |  |  |  |  |  |  |  |  |  |
| At July 1, 2021 | xxx | xxx | xxx | xxx | xxx | xxx | xxx | xxx | xxx |
| Charge For The Year | xxx | xxx | xxx | xxx | xxx | xxx | xxx | xxx | xxx |
| Impairment Loss | xxx | xxx | xxx | xxx | xxx | xxx | xxx | xxx | xxx |
| Eliminated On Disposal | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) |
| **At June 30, 2022** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
| **Net Book Value At June 30, 2022** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |

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

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

**Property, Plant and Equipment (Continued)**

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

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

**Valuation**

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

**20 (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**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| **COST** |  |  |
| **At July 1** | xxx | xxx |
| Additions | xxx | xxx |
| Disposals | (xxx) | (xxx) |
| **At June 30** | **xxx** | **xxx** |
|  |  |  |
| **AMORTISATION** |  |  |
| **At July 1** | xxx | xxx |
| Charge for the year | xxx | xxx |
| Disposals | (xxx) | (xxx) |
| Impairment loss | (xxx) | (xxx) |
| **At June 30** | xxx | xxx |
|  |  |  |
| **NET BOOK VALUE** |  |  |
| At June 30 | **xxx** | **xxx** |

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

1. **Investment Property**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| **Opening valuation** | **xxx** | **xxx** |
| **Movements during the year** |  |  |
| Additions | xxx | xxx |
| Disposals | (xxx) | (xxx) |
| Fair value gains/(losses) | xxx | xxx |
| **Closing valuation** | **xxx** | **xxx** |
|  |  |  |
| **DEPRECIATION (IF AT COST)** |  |  |
| **At July 1** | xxx | xxx |
| Charge for the year | xxx | xxx |
| Disposals | (xxx) | (xxx) |
| Impairment loss | (xxx) | (xxx) |
| **At June 30** | **xxx** | **xxx** |
| **NET BOOK VALUE** |  |  |
| At June 30 | **xxx** | **xxx** |

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

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

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Buildings** | **Plant** | **Equipment** | **Total** |
|  | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| **Cost** |  |  |  |  |
| As at 1 July 2020 | xxx | xxx | xxx | xxx |
| Additions | xxx | xxx | xxx | xxx |
| As at 30 June 2021 | xxx | xxx | xxx | xxx |
| Additions | xxx | xxx | xxx | xxx |
| As at 30 June 2022 | **xxx** | xxx | xxx | xxx |
|  |  |  |  |  |
| **Accumulated Depreciation** |  |  |  |  |
| As at 1 July 2020 | xxx | xxx | xxx | xxx |
| Charge for the year | xxx | xxx | xxx | xxx |
| As at 30 June 2021 | xxx | xxx | xxx | xxx |
| Charge for the year | xxx | xxx | xxx | xxx |
| As at 30 June 2022 | xxx | xxx | xxx | xxx |
|  |  |  |  |  |
| **Carrying Amount** |  |  |  |  |
| As at 30 June 2021 | xxx | xxx | xxx | xxx |
| As at 30 June 2022 | xxx | xxx | xxx | xxx |

1. **Biological Assets**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| Cattle | xxx | xxx |
| Trees | xxx | xxx |
| Others (Specify) | xxx | xxx |
| **Total** | **xxx** | **xxx** |

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

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

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| Central Bank of Kenya 12.5% 15-Year Bond | xxx | xxx |
| AB Corporate Bond (give details) | xxx | xxx |
| CD Corporate Bond (give details) | xxx | xxx |
| **Total** | **xxx** | **xxx** |

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

|  |  |  |
| --- | --- | --- |
| **Details** | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| Balance at 1 July | xxx | xxx |
| Additions during the year | xxx | xxx |
| Interest accrued during the year | xxx | xxx |
| Investment maturities during the year | xxx | xxx |
| Balance at 30 June | xxx | xxx |

1. **Quoted Investments**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| **Opening valuation** | **xxx** | **xxx** |
|  |  |  |
| **Movements during the year** |  |  |
| Additions | xxx | xxx |
| Disposals | (xxx) | (xxx) |
| Fair value gains/(losses) | xxx | xxx |
| **Closing valuation** | **xxx** | **xxx** |

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

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

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

1. **Unquoted Investments**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| **COST** |  |  |
| **At July 1** | **xxx** | **xxx** |
| Additions | xxx | xxx |
| Fair value gains/(losses) | xxx | xxx |
| Disposals | (xxx) | (xxx) |
| **At June 30** | **xxx** | **xxx** |
| **IMPAIRMENT** |  |  |
| **At July 1** | **xxx** | **xxx** |
| Disposals | (xxx) | (xxx) |
| Impairment loss in the year | (xxx) | (xxx) |
| **At June 30** | **xxx** | **xxx** |
| **NET BOOK VALUE** | **xxx** | **xxx** |

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

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

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

1. **Inventories**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| General stores | xxx | xxx |
| Chemicals & Laboratory items | xxx | xxx |
| Water fittings and Accessories | xxx | xxx |
| Water meters | xxx | xxx |
| Uniform and protective clothing | xxx | xxx |
| Fuel, oil and lubricants | xxx | xxx |
| Motor vehicle spare parts | xxx | xxx |
| Goods in transit | xxx | xxx |
| Stationery and general stores | xxx | xxx |
| Finished goods | xxx | xxx |
| Work in progress | xxx | xxx |
| Less: Impairment of stocks | (xxx) | (xxx) |
| **Total** | **xxx** | **xxx** |

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

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

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

|  |  |  |
| --- | --- | --- |
| **Description** | **2021-2022** | **2020-2021** |
|  | **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. **) Trade and Other Receivables**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **KShs** | **KShs** |
| Trade receivables (note (29a)) | xxx | xxx |
| Deposits and prepayments | xxx | xxx |
| VAT recoverable | xxx | xxx |
| Staff receivables (note 29 (c)) | xxx | xxx |
| Other receivables | xxx | xxx |
| **Gross trade and other receivables** | **xxx** | **xxx** |
| Provision for bad and doubtful receivable | (xxx) | (xxx) |
| **Net trade and other receivables** | **xxx** | **xxx** |

**29 (a) Trade Receivables**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| Gross trade receivables | xxx | xxx |
| Provision for doubtful receivables | (xxx) | (xxx) |
| Net trade receivables | xxx | xxx |
|  |  |  |
| **at June 30, the ageing analysis of the gross trade receivables was as follows:** | | |
|  |  |  |
| Less than 30 days | xxx | xxx |
| Between 30 and 60 days | xxx | xxx |
| Between 61 and 90 days | xxx | xx |
| Between 91 and 120 days | xxx | xxx |
| Over 120 days | xxx | xxx |
| **Total** | **xxx** | **xxx** |

*[Entities to provide the aging analysis relevant to their institution. ]*

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

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

|  |  |  |
| --- | --- | --- |
| **Description** | **2021-2022** | **2020-2021** |
|  | **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** |

**29 (c) Staff Receivables**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| Gross staff loans and advances | xxx | xxx |
| Provision for impairment loss | (xxx) | (xxx) |
| Net staff loans | **xxx** | **xxx** |
| Less: Amounts due within one year | (xxx) | (xxx) |
| Amounts due after one year | xxx | xxx |

*[Provide short appropriate explanations as necessary]*

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

|  |  |  |
| --- | --- | --- |
| **Description** | **2021-2022** | **2020-2021** |
|  | **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. **Tax Recoverable**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| **At beginning of the year** | **xxx** | **xxx** |
| Income tax charge for the year (note 16) | xxx | xxx |
| Under/(over) provision in prior year/s (note 16) | xxx | xxx |
| Income tax paid during the year | (xxx) | (xxx) |
| At end of the year | **xxx** | **xxx** |

*[Provide short appropriate explanations as necessary]*

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

1. **Short Term Deposits**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| **Commercial banks** |  |  |
| Cooperative Bank of Kenya | xxx | xxx |
| Kenya Commercial Bank | xxx | xxx |
| Barclays Bank of Kenya | xxx | xxx |
| Others (specify) | xxx | xxx |
|  | xxx | xxx |

*[Provide short appropriate explanations as necessary].Example: The average effective interest rate on the short term deposits as at June 30, 20xx was xx% (20xx-1: xx %).*

1. **Bank and Cash Balances**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| Cash at bank | xxx | xxx |
| Cash in hand | xxx | xxx |
| Mobile money account | xxx | xxx |
|  | **xxx** | **xxx** |

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

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

|  |  | **2021-2022** | **2020-2021** |
| --- | --- | --- | --- |
| **Financial institution** | **Account number** | **KShs** | **KShs** |
| 1. **Current account** |  |  |  |
| Commercial banks |  | xxx | xxx |
| Others |  | xxx | xxx |
| **Sub- total** |  | **xxx** | **xxx** |
| 1. **On – call deposits** |  |  |  |
| Commercial banks |  | xxx | xxx |
| others |  | xxx | xxx |
| **Sub- total** |  | **xxx** | **xxx** |
| 1. **Fixed deposits account** |  |  |  |
| Other Commercial banks |  | xxx | xxx |
| others |  | xxx | xxx |
| **Sub- total** |  | **xxx** | **xxx** |
| **Sub- total** |  | **xxx** | **xxx** |
| 1. **Others(specify)** |  | xxx | xxx |
| Cash in transit |  | xxx | xxx |
| cash in hand |  | xxx | xxx |
| Mobile money account |  | xxx | xxx |
| **Sub- total** |  | **xxx** | **xxx** |
| **Grand total** |  | **xxx** | **xxx** |

1. **Ordinary Share Capital**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| **Authorized:** |  |  |
| XXX ordinary shares of Kshs par value each | **xxx** | **xxx** |
| **Issued and fully paid:** |  |  |
| XXX ordinary shares of Kshs par value each | **xxx** | **xxx** |

*[Provide short appropriate explanations as necessary]*

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

1. **Revaluation Reserve**

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

1. **Fair Value Adjustment Reserve**

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

1. **Retained Earnings**

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

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

1. **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:

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| Accelerated capital allowances | xxx | xxx |
| Unrealised exchange gains/(losses) | xxx | xxx |
| Revaluation surplus | xxx | xxx |
| Tax losses carried forward | (xxx) | (xxx) |
| Provisions for liabilities and charges | (xxx) | (xxx) |
| Net deferred tax liability | xxx | xxx |

The movement on the deferred tax account is as follows:

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| **Balance at beginning of the year** | **xxx** | **xxx** |
| Credit to revaluation reserve | (xxx) | (xxx) |
| Under provision in prior year | xxx | xxx |
| Income statement charge/(credit) | xxx | xxx |
| **Balance at end of the year** | **xxx** | **xxx** |

1. **Borrowings**

|  |  |  |
| --- | --- | --- |
| **Description** | **2021-2022** | **2020-2021** |
|  | **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** |
| **C) Total Balance at end of the period c = a+b** | **xxx** | **xxx** |

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

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

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **KShs** | **KShs** |
| **External Borrowings** |  |  |
| Dollar denominated loan from ‘xxx Organization’ | xxx | xxx |
| Sterling Pound denominated loan from ‘yyy organization’ | xxx | xxx |
| Euro denominated loan from zzz organization’ | 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** |

|  |  |  |
| --- | --- | --- |
| **Description** | **2021-2022** | **2020-2021** |
|  | **KShs** | **KShs** |
| **Short term borrowings (current portion)** | **xxx** | **xxx** |
| **Long term borrowings** | **xxx** | **xxx** |
| Total | **xxx** | **xxx** |

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

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

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

1. **Lease Liability**

|  |  |  |
| --- | --- | --- |
| **Description** | **2021-2022** | **2020-2021** |
|  | **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** |

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
| **Maturity analysis** | **Kshs** | **Kshs** |
| Year 1 | xxx | xxx |
| Year 2 | xxx | xxx |
| Year 3 | xxx | xxx |
| Year 4 | xxx | xxx |
| Year 5 | xxx | xxx |
| On wards | xxx | xxx |
|  | xxx | xxx |
| Less: unearned interest | (xxx) | (xxx) |
|  | xxx | xxx |
| Analysed as: |  |  |
| **Non-Current** | **xxx** | **xxx** |
| **Current** | **xxx** | **xxx** |

1. **Provisions**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | **Leave Provision** | **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 |
| Balance at the end of the year | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |

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

**Provisions details**

|  |  |  |
| --- | --- | --- |
| **Description** | **2021-2022** | **2020-2019** |
|  | **Kshs** | **Kshs** |
| Current Portion of Provisions | xxx | xxx |
| Long-term portion of Provisions | xxx | xxx |
| **Total** | xxx | xxx |

1. **Retirement Benefit Obligations**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | **Defined benefit plan** | **Post-employment medical benefits** | **Other Benefits** | **2021-2022** | **2020-2021** |
|  | **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:

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

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **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 |

**Recognition of Retirement Benefit Asset/ Liability**

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

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
| **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 from changes 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**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
| **Description** | **Kshs** | **Kshs** |
| Present value of defined benefit obligations(a) | xxx | xxx |
| Fair value of plan assets(b) | (xxx) | (xxx) |
| Funded Status(=a-b) | **xxx** | **xxx** |
| Restrictions on asset recognized | xxx | xxx |
| Others | xxx | xxx |
| Net Asset or liability arising from defined benefit obligation | **xxx** | **xxx** |

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

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

1. **Trade and Other Payables**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| Trade payables | xxx | xxx |
| Accrued expenses | xxx | xxx |
| Revenue received in advance | xxx | xxx |
| Retention/ contract monies | xxx | xxx |
| Employee payables | xxx | xxx |
| Other payables | xxx | xxx |
| **Total** | **xxx** | **xxx** |

*[Provide short appropriate explanations as necessary]*

1. **Customer Deposits**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | ***Kshs*** | ***Kshs*** |
| Opening Balance | *xxx* | *xxx* |
| Add: deposits received during the year | *xxx* | *xxx* |
| Less: Refunded deposits during the year | *xxx* | *xxx* |
| Closing balance | *xxx* | *xxx* |
| **Total** | ***xxx*** | ***xxx*** |

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

1. **Deferred Income**

|  |  |  |
| --- | --- | --- |
| **Description** | **2021-2022** | **2020-2021** |
|  | **KShs** | **KShs** |
| National/County 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:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **County 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** |

1. **Dividends Payable**

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

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
|  |  |  |
| At the beginning of the year | XX | XX |
| Additional declared during the year | XX | XX |
| Paid during the year | (XX) | (XX) |
| Balance at end of the year | XX | XX |

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

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

1. **Taxation**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| At beginning of the year | XXX | XXX |
| Income tax charge for the year | XXX | XXX |
| Under/(over) provision in prior year/s | XXX | XXX |
| Income tax paid during the year | (XXX) | (XXX) |
| At end of the year | XXX | XXX |

*[Provide short appropriate explanations as necessary]*

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

|  | **2021-2022** | **2020-2021** |
| --- | --- | --- |
|  | **Kshs** | **Kshs** |
| 1. Reconciliation of operating profit/(loss) to cash generated from/(used in) operations |  |  |
| Profit or loss before tax | XXX | XXX |
| Depreciation | XXX | XXX |
| Amortisation | XXX | XXX |
| (Gain)/loss on disposal of property, plant and equipment | XXX | XXX |
| Operating profit/(loss) before working capital changes | XXX | XXX |
|  |  |  |
| (Increase)/decrease in inventories | XXX | XXX |
| (Increase)/decrease in trade and other receivables | XXX | XXX |
| Increase/(decrease) in trade and other payables | XXX | XXX |
| Increase/(decrease) in retirement benefit obligations | XXX | XXX |
| Increase/(decrease) in provision for staff leave pay | XXX | XXX |
|  |  |  |
| **Cash generated from/(used in) operations** | **XXX** | **XXX** |
|  |  |  |
| 1. **Analysis of changes in loans** |  |  |
|  |  |  |
| **Balance at beginning of the year** | **XXX** | **XXX** |
| Receipts during the year | XXX | XXX |
| Repayments during the year | (XXX) | (XXX) |
| Repayments of previous year’s accrued interest | (XXX) | (XXX) |
| Foreign exchange (gains)/losses | XXX | (XXX) |
| Accrued interest | XXX | XXX |
|  |  |  |
| **Balance at end of the year** | **XXX** | **XXX** |
|  |  |  |
| 1. **Analysis of cash and cash equivalents** |  |  |
|  |  |  |
| Short term deposits | XXX | XXX |
| Cash at bank | XXX | XXX |
| Cash in hand | (XXX) | (XXX) |
|  | \_\_\_\_\_\_ | \_\_\_\_\_\_ |
| Balance at end of the year | XXX | XXX |

|  | **2021-2022** | **2020-2021** |
| --- | --- | --- |
|  | **Kshs** | **Kshs** |
| 1. **Analysis of interest paid** |  |  |
|  |  |  |
| Interest on loans | xxx | xxx |
| Interest on bank overdraft | xxx | xxx |
| Interest on lease liabilities | xxx | xxx |
| Interest on loans capitalised | xxx | xxx |
| Balance at beginning of the year | xxx | xxx |
| Balance at end of the year (note 35(b)) | (xxx) | (xxx) |
| Interest paid | xxx | xxx |
|  |  |  |
| 1. **Analysis of dividend paid** |  |  |
|  |  |  |
| Balance at beginning of the year | xxx | xxx |
| 2019 dividends paid | xxx | xxx |
| 2020 dividends paid | xxx | xxx |
| 2021 interim dividends paid | xxx | xxx |
| Balance at end of the year | (xxx) | (xxx) |
| Dividend paid | xxx | xxx |

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

**Other Disclosures**

1. **Related Party Disclosures**

**County Government of XXX**

The County Government of XXX is the principal shareholder of theCompany, holding 100% of the Company’s equity interest. The County of Government of xxx has provided full guarantees to all long-term lenders of the Company, both domestic and external.

Other related parties include:

* The County Department in charge of Water
* County Government of xxx
* Water works Agencies
* WASREB
* WARMA
* Water Sector Trust Fund
* Key management
* Board of directors
* Others (specify)

**Transactions with related parties**

|  | **2021-2022** | **2020-2021** |
| --- | --- | --- |
|  | **Kshs** | **Kshs** |
| 1. **Sales to related parties** |  |  |
|  |  |  |
| Rent Income from govt. agencies | XXX | XXX |
| Water sales to Govt. agencies | XXX | XXX |
| Interest income from Govt Commercial Banks | XXX | XXX |
| Interest income from T-bills and Bonds | XXX | XXX |
| Others (Specify) | XXX | XXX |
| **Total** | XXX | XXX |
|  |  |  |
| **b) Purchases from related parties** |  |  |
|  | XXX | XXX |
| Purchase of water from govt service providers | XXX | XXX |
| Rent expenses paid to govt agencies | XXX | XXX |
| Training and conference fees paid to govt. agencies | XXX | XXX |
| Bank charges paid to Govt Commercial banks | XXX | XXX |
| Interest expense to investments by other govt. entities | XXX | XXX |
| Others (specify) | XXX | XXX |
| **Total** | **XXX** | **XXX** |
| 1. **Grants from the Government** |  |  |
| Grants from National Govt Agencies | XXX | XXX |
| Grants from County Government | XXX | XXX |
| Donations in kind | XXX | XXX |
| **Total** | **XXX** | **XXX** |
|  |  |  |
| 1. **Expenses incurred on behalf of related party** |  |  |
| Payments of salaries and wages for xxx employees | XXX | XXX |
| Payments for goods and services for xxx | XXX | XXX |
| **Total** | **XXX** | **XXX** |
|  |  |  |
| 1. **Key management compensation** |  |  |
| Directors’ emoluments | XXX | XXX |
| Compensation to key management | XXX | XXX |
| **Total** | XXX | XXX |

1. **Capital Commitments**

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

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| Amounts authorised and contracted for | XXX | XXX |
| Amounts authorized but not contracted for | XXX | XXX |
| Less: Amounts included in Work in progress | (xxx) | (xxx) |
|  | XXX | XXX |

*[Provide short appropriate explanations as necessary]*

**NOTES TO THE FINANCIAL STATEMENTS (Continued**

1. **Contingent Assets and Liabilities**

**Contingent Assets**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **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**

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| **Contingent liabilities** | xxx | Xxx |
| Court case xxx against the entity | xxx | Xxx |
| Bank guarantees in favour of subsidiary | xxx | Xxx |
| Contingent liabilities arising from contracts including PPPs | xxx | Xxx |
| Others (Specify) | xxx | Xxx |
| **Total** | **xxx** | **Xxx** |

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

1. **Financial Risk Management**

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

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

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

**(i) Credit risk**

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

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

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Total amount**  **Kshs** | **Fully performing**  **Kshs** | **Past due but not Impared**  **Kshs** | **Past due and Impaired**  **Kshs** |
| **At 30 June 2022** |  |  |  |  |
| Trade Receivables | xxx | xxx | xxx | xxx |
| Other Receivables |  |  |  |  |
| Investments | xx | xx | xx | xx |
| Bank balances | xxx | xxx | xxx | xxx |
| **Total** | **xxx** | **xxx** | **xxx** | **xxx** |
| **At 30 June 2021 (previous Year)** |  |  |  |  |
| Receivables | xxx | xxx | xxx | xxx |
| Other Receivables | xxx | xxx | xxx | xxx |
| Investments | Xx | Xx | Xx | xx |
|  | xxx | xxx | xxx | xxx |
| Bank balances | xxx | xxx | xxx | xxx |
| **Total** | **xxx** | **xxx** | **xxx** | **xxx** |

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

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

***Credit Risk (Continued)***

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

The board of directors sets the company’s credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**ii) Liquidity risk management**

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

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Less than 1 month** | **Between 1-3 months** | **Over 5 months** |  |
|  | **Total** |
|  | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| **At 30 June 2022 current year** |  |  |  |  |
| Trade payables | xxx | xxx | xxx | xxx |
| Current portion of borrowings | xxx | xxx | xxx | xxx |
| Provisions | xxx | xxx | xxx | xxx |
| Deferred income | xxx | xxx | xxx | xxx |
| Employee benefit obligation | xxx | xxx | xxx | xxx |
| **Total** | **xxx** | **xxx** | **xxx** | **xxx** |
| **At 30 June 2021 previous year** |  |  |  |  |
| 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** |

**(iii) Market risk (*Tailor as appropriate)***

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

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

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

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

1. **Foreign currency risk**

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

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

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

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Ksh** | **Other currencies** | **Total** |
|  | **Kshs** | **Kshs** | **Kshs** |
| **At 30 June 2022 Current Year** |  |  |  |
| **Financial assets** |  |  |  |
| Investments | xxx | xxx | xxx |
| Cash | xxx | xxx | xxx |
| Debtors | xxx | xxx | xxx |
| **Financial Liabilities** |  |  |  |
| Trade and other payables | Xxx | xxx | xxx |
| Borrowings | Xxx | xxx | xxx |
| Net foreign currency asset/(liability) | **Xxx** | **xxx** | **xxx** |

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

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

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

1. **Foreign currency sensitivity analysis**

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Change in**  **currency rate** | **Effect on Profit**  **before tax** | **Effect on**  **equity** |
|  | **Kshs** | **Kshs** | **Kshs** |
| **2022Current FY** |  |  |  |
| Euro | 10% | xxx | Xxx |
| USD | 10% | xxx | Xxx |
| **2021 Previous FY** |  |  |  |
| Euro | 10% | xxx | Xxx |
| USD | 10% | xxx | Xxx |

1. **Interest rate risk**

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

1. **Management of interest rate risk**

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

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

1. **Sensitivity analysis**

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

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

1. **Fair value of financial assets and liabilities**
2. ***Financial instruments measured at fair value***

Determination of fair value and fair values hierarchy

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

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

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

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | | |
| **At 30 June 2022 Current FY** | **Level 1 Kshs** | **Level 2 Kshs** | **Level 3 Kshs** | **Total Kshs** |
| **Financial Assets** |  |  |  |  |
| Quoted equity investments | xx | xx | xx | xx |
| **Non- financial Assets** |  |  |  |  |
| Investment property | xx | xx | xx | xx |
| Land and buildings | xx | xx | xx | xx |
|  | xx | xx | xx | xx |
| **At 30 June 2021 Previous FY** |  |  |  |  |
| **Financial Assets** |  |  |  |  |
| Quoted equity investments | xxx | xxx | xxx | xxx |
| **Non- financial Assets** |  |  |  |  |
| Investment property | xxx | xxx | xxx | xxx |
| Land and buildings | xxx | xxx | xxx | xxx |
|  | xxx | xxx | xxx | xxx |

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

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

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

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

**iv) Capital Risk Management**

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

|  |  |  |
| --- | --- | --- |
|  | **2021-2022** | **2020-2021** |
|  | **Kshs** | **Kshs** |
| Revaluation reserve | Xxx | xxx |
| Retained earnings | Xxx | xxx |
| Capital reserve | Xxx | xxx |
|  |  |  |
| **Total funds** | **Xxx** | **xxx** |
| Total borrowings | Xxx | xxx |
| Less: cash and bank balances | (xxx) | (xxx) |
| Net debt/(excess cash and cash equivalents) | Xxx | xxx |
| **Gearing** | **xx%** | **xx%** |

1. **Incorporation**

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

1. **Events After the Reporting Period**

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

1. **Currency**

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

# 

# Appendices

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

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

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

***Guidance Notes:***

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

Name

Signature

Managing Director

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

**Appendix II: Projects Implemented By The Company**

**Projects**

Projects implemented by the Company Funded by development partners.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Project title** | **Project Number** | **Donor** | **Period/ duration** | **Donor commitment** | **Separate donor reporting required as per the donor agreement (Yes/No)** | **Consolidated in these financial statements**  **(Yes/No)** |
| 1 |  |  |  |  |  |  |
| 2 |  |  |  |  |  |  |

**Status of Projects completion**

*(Summarise the status of project completion at the end of the reporting period, i.e. 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 Confirmation Letter**

***[Insert your Letterhead]***

*[Insert name of beneficiary entity]*

*[Insert Address]*

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Confirmation of amounts received by [Insert name of beneficiary entity] as at 30th June 2022** | | | | | | | |
|  |  | Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2022 | | | | Amount Received by [beneficiary entity]  (KShs) as at 30th June 2021  (E) | Differences (KShs)  (F)=(D-E) |
| Reference Number | Date Disbursed | Recurrent (A) | Development (B) | Inter–Ministerial  (C) | Total  (D)=(A+B+C) |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| Total |  |  |  |  |  |  |  |
| In confirm that the amounts shown above are correct as of the date indicated.  **Head of Accountants department of beneficiary entity:**  **Name ………………………………………….. Sign …………………………….Date** **………………\_**\_\_\_\_\_\_\_\_\_\_ | | | | | | | |

**Appendix IV: Reporting of Climate Relevant Expenditures**

Name of the Organization

Telephone Number

Email Address

Name of CEO/MD/Head

Name and contact details of contact person (in case of any clarifications) …………………

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

**Appendix V: Disaster Expenditure Reporting Template**

|  |
| --- |
| Date: |
| Entity |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Period to which this report refers (FY)** | **Year** | | | **Quarter** | | |
| **Name of Reporting Officer** |  | | | | | |
| **Contact details of the reporting officer:** | **Email** | | | **Telephone** | | |
| Column I | Column II | Column III | Column IV | Column V | Column VI | Column VII |
| Programme | Sub-programme | Disaster Type | Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness) | Expenditure item | Amount (Kshs.) | Comments |
|  |  |  |  |  |  |  |

*(Attach forms from each transferring Government entity.)*

**Appendix VI: Recording of Transfers from Other Government Entities**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Name of the County/MDA/Donor Transferring the funds** |  |  |  | **Where Recorded/recognized** | | | | |  |
| **Date received as per bank statement** | **Nature: Recurrent/Development/Others** | **Total Amount - KES** | **Statement of Comprehensive income** | **Capital Fund** | **Deferred Income** | **Receivables** | **Others - must be specific** | **Total Transfers during the Year** |
| Ministry/County department of Water | xxx | Recurrent | xxx | xxx | xxx | xxx | xxx | xxx | xxx |
| Ministry/County Department of water. | xxx | Development | Xxx | xxx | xxx | xxx | xxx | xxx | xxx |
| USAID | xxx | Donor Fund | Xxx | xxx | xxx | xxx | xxx | xxx | xxx |
| name of Development partner/County department etc. | 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 |