

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF



THE AUDITOR-GENERAL

ON

KITUI COUNTY TEXTILE CENTRE

**FOR THE YEAR ENDED
30 JUNE, 2024**

| PAPERS LAID | |
|--------------------|----------------|
| DATE | 6/3/2025 |
| TABLED BY | Dep. Mag. Khip |
| COMMITTEE | |
| CLERK AT THE TABLE | Maalim |

Issued 30th June 2024



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KITUI COUNTY TEXTILE CENTRE

Kitui County Government

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2024

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



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Annual Report and Financial Statements for the year ended June 30, 2024.

1. Acronyms and Definition of Key Terms

A: Acronyms

| | |
|---------|--|
| AGPO | Access to Government Procurement Opportunities |
| CEO | Chief Executive Officer |
| CECM | County Executive Committee Member |
| CBK | Central Bank of Kenya |
| ICPAK | Institute of Certified Public Accountants of Kenya |
| IPSAS | International Public Sector Accounting Standards |
| KICOTEC | Kitui County Textile Centre |
| CT | County Treasury |
| CIDP | County Integrated Development Plan |
| CA | County Assembly |
| OCOB | Office of the Controller of Budget |
| OAG | Office of the Auditor General |
| OSHA | Occupational Safety and Health Act of 2007 |
| PFM | Public Finance Management |
| PPE | Property Plant & Equipment |
| PPPs | Public Private Partnerships |
| PSASB | Public Sector Accounting Standards Board |
| SAGAs | Semi-Autonomous Government Agencies |
| WB | World Bank |

B: Definition of Key Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation.

Comparative Year- Means the prior period.

2. Key Entity Information and Management

(a) Background information

The entity was established by the Kitui County Corporation Act 2019 on 25 November 2019. At County cabinet level, the entity is represented by the County Executive Committee, Ministry of Trade, Industry, MSMEs, Innovation & Cooperative, who is responsible for the general policy and strategic direction of the entity. The entity is domiciled in Kitui County Kenya.

(b) Principal Activities

The principal activity of the entity is to manage textile manufacturing in the county in accordance with Kitui County Corporation Act 2019, promote best practices in and regulate production, processing and marketing of apparel, garments and textiles.

(c) Key Management

The company's day-to-day management is under the following key organs:

| No. | Designation | Name |
|-----|------------------------------------|------------------------------------|
| 1. | Chief Executive Officer | Ben Jackson – Left May 2024 |
| 2. | Finance and Administration Manager | Peter Yoma |
| 3. | Ag. Human Resource Manager | Kioko Mutuku |
| 4. | Supply Chain Manager | Tabitha Mwanja |
| 5. | Factory Manager | Boniface Ndunda |

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

| No. | Designation | Name |
|-----|----------------------------|------------------------------------|
| 1. | Chief Executive Officer | Ben Jackson – Left May 2024 |
| 2. | Head of Finance | Peter Yoma |
| 3. | Head of Procurement | Tabitha Mwanja |
| 4. | Head of Factory | Boniface Ndunda |
| 5. | Ag. Human Resource Manager | Kioko Mutuku |

(e) Fiduciary Oversight Arrangements

Audit and Risk Management Committee

Finance and Technical Committee

HR and Administration Committee

Full Board of Directors Committee

(f) Registered Office

Kitui County Textile Centre

Syongila Youth Polytechnic

P. O Box 72 - 90200

Kitui

Kenya

(g) Corporate Headquarters

Kitui County Textile Centre

Syongila Youth Polytechnic

P. O Box 72 - 90200

Kitui

Kenya

(h) Corporate Contacts

+254798151515 or +254707444111

Kicotec@kitui.go.ke

www.kitui.go.ke

(i) Corporate Bankers

Equity Bank Kenya Limited

P.O. Box 563 - 90200

Kitui

Kenya

(j) Independent Auditors

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

(k) Principal Legal Advisers

1. The County Attorney

Kitui County Government

P.O. Box 33-90200

Kitui

Kenya

3. The Board of Directors/Management

| Directors | Details |
|--|--|
|  <p data-bbox="183 795 598 902">Dr. Grace Muthoni Mutua, Ph.D Chairperson, KICOTEC Board of Directors.</p> | <p data-bbox="627 302 1452 813">Dr. Grace Muthoni Mutua, Ph.D. was born in 1968 and she is the Interim Independent Chairperson of KICOTEC Board of Directors. She was appointed on 3rd October 2023 in the Board. She is also the current Climate Change resilience, preparedness and mitigation Advisor to the Governor, Kitui County. She has a Doctorate in Rural Sociology, a Master of Science in Rural Sociology and a Minor in International Development, as well as a Bachelor of Science in General Agriculture, Cum Laude – all from the University of Missouri – Columbia, USA. She also holds a Diploma in Environmental Studies, Honors, from the Kenya Polytechnic, Nairobi. Grace has Over 22 years’ experience in Employment and Public service, with more than half the period in leadership positions, both in Kenya and the United States of America</p> |
|  <p data-bbox="183 1350 478 1424">Michael Kalii Mutisya Director KICOTEC</p> | <p data-bbox="627 920 1452 1283">Michael Mutisya Kalii was born in 1973 and is an Interim Independent Director of KICOTEC. He was appointed on 3rd October 2023 in the Board. He is also the current Chief Officer in the Ministry of Trade in Kitui County Government. He has a bachelor of Arts degree (Economics and Mathematics) from University of Nairobi. He has a Diploma in Management Information Systems from UK. He is currently pursuing MBA in operation Management at the University of Nairobi. Michael has over 23 years’ experience in Banking Industry and Public Service.</p> |
|  <p data-bbox="183 1872 542 1939">CPA John Makau Kimwele Director KICOTEC</p> | <p data-bbox="627 1442 1452 1944">CPA John Makau Michael was born in 1977 and is an Interim Independent Director of KICOTEC. He was appointed on 3rd October 2023 in the Board. He is the current Chief Officer in Finance in the Ministry of Treasury in Kitui County Government. He holds a Master of Science in Finance (Msc Finance) from the University of Nairobi and Bachelor of Commerce in Accounting (BCOM). He is currently pursuing his Ph.D. in business Administration at JKUAT. He holds the following professional qualifications & membership, CPAK, CPSK, CISA. He has over 15 years’ experience in Finance and Accounting background at senior executive level in different organizations e.g. National Council for Population and Development (NCPD), World Bank, UNFPA & County Government etc.</p> |

Annual Report and Financial Statements for the year ended June 30, 2024.

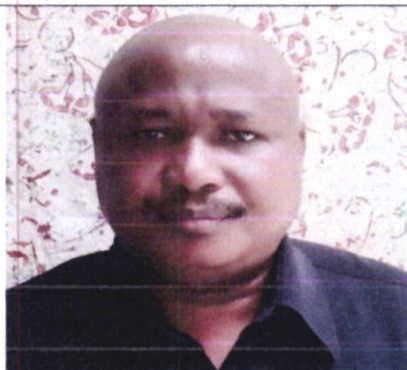
| | |
|---|--|
|  <p>Timothy Kyalo Mwange Director KICOTEC</p> | <p>Timothy Kyalo Mwange was born in 1989 and is an Interim and Independent Director of KICOTEC. He was appointed on 3rd October 2023 in the Board. He is the Chairperson of Audit and Risk Management Committee. Currently Timothy is working as a County Solicitor in the County Government of Kitui. He has a Bachelor of Laws (LL. B) degree from University of Nairobi. He holds a post Graduate diploma from the Kenya School of Law. He is an advocate of the High Court of Kenya. He is a Certified Public Accountant and a Certified Secretaries as well as a trained arbitrator. He is currently pursuing a master of laws degree in Environmental law and natural resource management. Timothy has over 10 years' experience both locally and internationally in the education and legal sectors.</p> |
| <p>CPA Nathan Kasamba Vungo Director KICOTEC</p> | <p>CPA Nathan Kasamba Vungo is an Interim and Independent Director of KICOTEC. He was appointed on 3rd October 2023 in the Board. He is the Chairperson of Finance and Technical Committee. Currently Nathan is working as a Chief Officer in the Ministry of Water and Irrigation in the Kitui County Government. He has a Master of Business Administration from the University of Nairobi and a Bachelor of Agribusiness Management from Egerton University. Vungo is a Certified Public Accountant of Kenya.</p> |
|  <p>CPA Gladys Mami Wambua Director KICOTEC</p> | <p>CPA Gladys Mami Wambua was born in 1971 and is an Interim and Independent Director of KICOTEC. She was appointed on 3rd October 2023 in the Board. She is the Chairperson of HR and Administration Committee. Currently Gladys is the Chief Officer in the Ministry of Agriculture in Kitui County Government. She has a Master of Business Administration from the University of Nairobi and a degree of Bachelor of Arts in Technology Management Studies from Moi University. Gladys is a Certified Public Accountant of Kenya. She has over 28 years' experience in Finance and Accounting back ground and Public Service.</p> |

Annual Report and Financial Statements for the year ended June 30, 2024.



**Redemta Mary Matiti
Director KICOTEC**

Redemta Mary Matiti was born in 1978 and is an Interim and Independent Director of KICOTEC. She was appointed on 3rd October 2023 in the Board. Currently Redemta is a Director Special Programmes in the County Government of Kitui. She has a degree of Master of Education from Kenyatta University and a degree of Bachelor of Education in the same University. She is currently undertaking a Doctor of Philosophy in Psychology. She has finished the course work and currently working on Dissertation. She has over 28 years' experience in Education sector and Kenya Revenue Authority.



**CPA Peter Mutie Yoma
Ag. CEO KICOTEC/Board
Secretary**

CPA Peter Yoma was born in 1976 and is the Ag. CEO and Finance & Administration Manager KICOTEC. He is also acting as the Board Secretary. He holds a Bachelor of Commerce Accounting Major degree from Daystar University, He is a Certified Public Accountant of Kenya. He has a diploma in Business Management from University of Nairobi. Currently he is pursuing Masters of Science in Finance, finished course work now working on thesis in Kenyatta University. He is currently pursuing Certified Secretaries Intermediate Level. Peter has over 19 years' experience in Finance department in different organization namely Bamburi Cement Co. Ltd, Spencon International Ltd in Kenya, Uganda & Tanzania, Peace Business Group-Somalia & National Cement Co. Ltd (Simba Cement) as a Senior Finance Manager. He has over 28 years' experience in Finance & Accounting background.

4. Key Management Team

| Management | Details |
|---|--|
|  <p>Ben Jackson Micheni Chief Executive Officer</p> | <p>Ben Jackson was born in 1973 and is the Chief Executive Officer KICOTEC. He holds MBA – Finance from University of Nairobi. He also has Bachelor of Education from university of Nairobi. Ben has over 14 years’ experience as a Chief executive officer and over 7 years’ experience in various senior management positions in different organizations. Ben Jackson left the company in May 2024.</p> |
|  <p>CPA Peter Mutie Yoma Ag. CEO KICOTEC/Board Secretary</p> | <p>CPA Peter Yoma was born in 1976 and is the Ag. CEO and Finance & Administration Manager KICOTEC. He is also acting as the Board Secretary. He holds a Bachelor of Commerce Accounting Major degree from Daystar University, He is a Certified Public Accountant of Kenya. He has a diploma in Business Management from University of Nairobi. Currently he is pursuing Masters of Science in Finance, finished course work now working on thesis in Kenyatta University. He is currently pursuing Certified Secretaries Intermediate Level. Peter has over 19 years’ experience in Finance department in different organization namely Bamburi Cement Co. Ltd, Spencon International Ltd in Kenya, Uganda & Tanzania, Peace Business Group-Somalia & National Cement Co. Ltd (Simba Cement) as a Senior Finance Manager. He has over 28 years’ experience in Finance & Accounting background.</p> |
|  <p>Boniface Ndunda Kioko Factory Manager</p> | <p>Boniface was born in 1980 and he is the Factory Manager KICOTEC. He has over 14 years’ experience in apparel industry. He has over 4 years’ experience as a factory manager and 12 years’ experience as an assistant manager and designer.</p> |



Everlyne Tabitha Mwanja
Supply Chain Manager

Tabitha was born in 1989 and she holds Bachelor of Purchasing and Supplies Management degree from Jomo Kenyatta University of Agriculture and Technology. She also has a diploma in Supply chain management from Nairobi Technical Training Institute. She has over two years' experience as a supply chain manager and over 6 years' experience as a procurement officer.

5. Chairperson Statement

As the chairperson of the Kitui County Textile Centre Board of Directors, I hereby release our annual report for the year ended 30th June 2024.

Operating Environment

In the past year, the apparel and garment making sector like many other sectors of the economy, experienced diminished growth due to economic slowdown, inflation, increased cost of power, climate change related factors such as the elnino rains and cash flow challenges affecting our country. These challenges have led to slow repayment of KICOTEC outstanding debts leading to limited financial resources.

Due to these challenges, KICOTEC performed below expectations.

Beginning of the FY 2024/2025, we continue to experience demand for our products. We are working on modalities to ensure maximum return from our workforce by adopting best practices in the factory. We shall continue to engage our stakeholders to ensure we deliver on our obligations towards them.

As a Board we remain guided by the provisions of The Kitui County Corporations Act, 2019 section 5, to continue performing to the best of our ability, the outlined functions and to operate in a socially responsible manner with focus on operational efficiency, good governance and ensure best management and sustainability of KICOTEC as a County corporation.

Financial Performance

KICOTEC loss after tax decreased from Kes 14 million in the year 2022/2023 to a Loss after tax of Kes 11 million in the year 2023/2024. The operational costs in the year 2023/2024 was Kshs 49.5 million as compared to the previous year 2022/2023 which was Kshs. 54 million. The revenue for the year 2023/2024 was Kshs. 41 million as compared to the previous year 2022/2023 which was Kshs. 45 million. The company endeavours to diversify its revenue streams, engage more customers to buy its products in order to increase more revenue and realise high profits in future.

Future Plans

The Board shall endeavour to support KICOTEC management team to realise the corporation's objectives.

Tribute

I wish to acknowledge the role and dedication of KICOTEC Board of Directors, Kitui County Government and our customers for their support, and thank management and employees of KICOTEC for their hard work throughout the financial year.

Sincerely

Dr. Grace Mutua (Ph.D)

CHAIRPERSON

SIGN  _____

6. Report of the Ag. Chief Executive Officer

General Overview

The annual performance for the company for the period ended 30th June 2024 did not improve significantly as expected. During the year under review, our revenue decreased by 6.79% compared to the previous year. The loss for the same period was Kshs. 11 million compared to a loss of Kshs. 14 million in the previous year, a reduction brought about by efficiency in operational costs.

We are working on reducing our operational costs, reduce outstanding debtors to ensure adequate cash flow for the daily operations and reduction of our supplier's portfolio.

Due to the experienced losses by the corporation, the capital injected by the shareholder continues to decrease.

Information and Technology

Technology remains a game changer in service delivery and KICOTEC has to strategically position itself to tap into technological advancement in order to enhance service delivery. Our plan is to automate operations to increase business efficiency and reporting.

Regards

I take this opportunity to sincerely thank the Board of Directors and Kitui County Government for their strategic and policy guidance during the concluded financial year 2023/2024. I also wish to thank the management and staff of KICOTEC, who have continued to discharge their mandate with commitment and dedication. Finally, my gratitude goes to our customers and all those that have given us moral and material support.

Kind regards

Peter Yoma

Ag. CEO

SIGN _____



7. Statement of Performance against Predetermined Objectives for FY 2023/2024

Kitui County Textile Centre (KICOTEC) has 3 strategic pillars and objectives within the current Strategic Plan for the FY 2023/2024. These strategic pillars/ themes/ issues are as follows:

Pillar 1: Increased revenue

Pillar 2: Increased customer satisfaction

Pillar 3: Enhance institutional capacity

KICOTEC develops its annual work plans based on the above 3 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The corporation achieved its performance targets set for the FY 2023/2024 period for its 3 strategic pillars, as indicated in the diagram below:

| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators | Activities | Achievements |
|--|-------------------------|---|---|--|
| Pillar 1: Increase revenue | To Increase our sales | -timely collection of revenue and invoicing of customers -Increase customers -increased production | - Increased sales | -We didn't achieve our target for this year. Next year we are putting a lot of efforts to achieve this pillar. |
| Pillar 2: Increased customer satisfaction | Good customer relations | -Less customer complaints Prompt handling of customer issues -Increased customer/ stakeholder participation | -Good Customer care services -Implement an effective feedback mechanism for customers -Enhance collaborations between customers | -Good customer relations though our turnover went down. We will continue Improving on this pillar. |

8. Corporate Governance Statement

Corporate governance is the process and structure used to direct and manage business affairs of the company towards enhancing prosperity and corporate accounting with the ultimate objective of realizing stakeholder's long term value.

The company conducts its operations in accordance with the principles of good corporate governance as provided in the Kitui County Corporations (KICOTEC) regulations Act 2019.

Board of Directors

The composition of the board is compliant with good corporate governance practices and KICOTEC regulations. The roles of the Chairperson and the Chief Executive Officer are segregated. The Chief Executive Officer is in charge of the day to day running of the business of the company. A non-executive director acts as the Chairperson of the board.

The current board is composed of the Chief Executive Officer and seven other Directors drawn from various stakeholders. The board is therefore composed of committed individuals with diverse and complementary skills to ensure that there is sufficient wealth of experience at board level.

Board Meetings

Board meetings are held every quarter and in exceptional circumstances as dictated by demand and exigencies of operations.

| Type of Meeting | No. of Meetings |
|-----------------------------------|-----------------|
| Special board | 4 |
| Full Board | 4 |
| Finance & Technical Committee | 3 |
| HR & Administration Committee | 3 |
| Audit & Risk Management Committee | 2 |
| Total | 16 |

Board Committees

The board has approved the delegation of certain authorities to the board sub committees where applicable and to the management. The board has three committees which are guided by clear terms of reference. The committees are instrumental in monitoring the company operations, systems and internal controls. The committees are as follows.

Finance & Technical Committee

The committee comprises of four non-executive directors and CEO KICOTEC as an ex-official. The committee is chaired by a non-executive director and meets four times a year.

The role of the committee is to monitor and review the operational and financial performance of the company against key performance indicators, identifying shortcomings and ensuring corrective measures and action are taken.

The committee also reviews the company's investment plans in capital expenditure and recommends to the board for approval. The committee has also the responsibility of ensuring that the systems of financial controls are effectively administered.

This committee oversees planning, coordination and execution of development and rehabilitation projects to ensure expansion of reticulation system and improve efficiency in KICOTEC production of goods & services.

Human Resources and Administration Committee

The committee comprises of four non-executive directors and a CEO as an ex-official. The committee is chaired by a non-executive director and meets four times a year.

The committee as well has the responsibility of ensuring the company has the right staff, at the right place and doing the right thing. More so, the committee will ensure that staff welfare is guaranteed.

Their terms of reference include but not confined to human resource planning, employee welfare, recruitment. Training, performance appraisal, discipline, health and safety and HIV/AIDS.

Audit and Risks Management Committee

The committee comprises of four non-executive directors and a CEO as an ex-official. The committee is chaired by a non-executive director and meets four times a year.

This committee oversees internal audit, external audit and internal controls of the organization. Planning, coordination and execution of development and reporting to ensure expansion of reticulation system and improve efficiency in KICOTEC production of goods & services.

Director's Remuneration

The remuneration of non-executive directors consists of sitting allowances in connection with board and committee meetings.

Process of appointment and removal of directors

The persons appointed shall be by name and by notice in the Gazette. The person appointed shall hold office for a term of three years, but shall on the basis of satisfactory performance be eligible for re-appointment for one further term of three years. A board member can cease to be a member if he/she is judged a bankrupt.

Induction and training

After every end of the year, the directors undergo an induction and training, however the year under review the directors didn't attend the induction and training due to cash flow problems.

Ethics and Conduct of directors

To show commitment of proper utilization and management of public resources and proper running of corporation affairs, KICOTEC will develop a code of ethics to be signed by all board members. A code of ethics provides guidance and direction in the manner in which members of the board of directors are expected to conduct themselves when handling matters relating to the company.

9. Management Discussion and Analysis

Operational and Financial Performance

Income analysis

During the year ended 30th June 2024 The Kitui County Textile Centre raised total revenue of Kshs. 41 Million against a total revenue budget of Kshs. 303 million. The actual revenue was below our expectations. This shows we didn't get a lot of business as per our expectations.

Expenditure Analysis

During the financial year ended 30th June 2024 Kitui County Textile Centre incurred actual expenditures amounting to Kes 49.5 million against budgeted amount totalling to Kshs. 257 million. The Actual expenditures were lower than what we had budgeted due to lower business operations than what we had expected.

Statement of the Financial Position

The statement of the financial position indicates that Kitui County Textile Centre closed the financial year ended 30th June 2024 with total assets worth Kes 201 million as compared to Kes 205 million from the previous period.

Major Risks

Operational risks

KICOTEC has not automated its operations, this is a risk which can contribute to inadequate internal controls which can result into losses. Plans are underway to automate KICOTEC operations.

Risks Mitigation Strategies

When a production team embarks on a new project, there are inherent risk that can be associated with a new project's processes. However, some strategies can help mitigate these risks as well as anticipate the consequences of these risks. These strategies can be used to identify, assess, evaluate and monitor risks and any other accompanying consequences.

Market risks

Market risk is the risk of losses in positions arising from movements in market variables like prices and volatility. KICOTEC is likely to face these challenges as a result of materials and accessories change of prices in the market.

Liquidity Risks

Inability to meet short term financial demands. This usually occurs due to inability to convert assets like debts to cash. KICOTEC experienced financial challenges during the financial year ended 30th June 2024 whereby it was not able to meet some of the daily operations as a result of cash flow problems.

Compliance with statutory Deductions

KICOTEC has strived to meet its statutory obligations. This includes regulatory fees, Taxes, NHIF, NSSF and not forgetting pension service providers as directed by employees. One of the strategies in place is to ensure we have cleared all the outstanding arrears when we have available cash flow.

Political Risks

Changes in government regime especially in the county government is most likely to affect KICOTEC sustainability and viability because of different ideologies.

Business Risks

Global pandemics and wars are likely to affect business operations of KICOTEC due to high cost of living as a result of price changes of our raw materials and accessories.

10. Environmental and Sustainability Reporting

Kitui County Textile Centre - KICOTEC being a public entity embraces the policy of corporate social responsibility (CSR) through engaging herself with the following amongst many social responsibilities Offering both social and economic support to the external community through provision of casual labour opportunities and supplies wherever such opportunities arise. KICOTEC in conjunction with the county government of Kitui has embarked on a massive marketing for KICOTEC products to ensure that our products remain competitive and relevant in the market which will also ensure sustainability

Environmental performance

Active participation in tree planting in collaboration with Kitui County, KICOTEC is looking forward to participate in tree planting in various primary and secondary schools. The corporation also engages in planting of trees in the surroundings.

Employee Welfare

KICOTEC offers equal employment to all irrespective of gender, race, tribe, religion etc. Therefore, transparency in recruitment and selection process is key.

KICOTEC offers internship and industrial attachment to the youth from the surrounding community and institutions participating in environmental awareness

We believe our responsibility extends beyond the statutory obligation to comply with the legislation and therefore voluntary take action to improve the quality of life among our employees and their families, local communities and society at large.

We are dedicated to creating a workplace that is safe, fair and enriching. Safety procedures and programs are constantly monitored and improved to help ensure that our employees work safely.

Market Place Practices

KICOTEC is a corruption free zone and has cultivated a culture of integrity within its employee complement. The corporation ensures high quality products are supplied to the market through vigorous quality checks.

Community Engagements

The corporation has been in the fore front in impacting the community positively especially women groups. KICOTEC has engaged numerus women group in training and empowering them with skills in the apparel industry

11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024, which show the state of the Companies affairs.

i) Principal activities

The principal activity of the entity is to manage textile manufacturing in the county in accordance with Kitui County Corporations Act 2019, promote best practices in and regulate production, processing and marketing of apparel, garments and textiles.

The principal activities of the Entity are

ii) Results

| Details | 2023/2024 | 2022/2023 |
|-------------------------|--------------|--------------|
| | Shs | Shs |
| Profit /loss before tax | (15,115,415) | (19,660,494) |
| Tax | 3,778,854 | 4,915,123 |
| Profit/Loss after tax | (11,336,562) | (14,745,370) |

DIVIDENDS

The directors recommend no payment of dividends since the company made a loss.

The results of the Entity for the year ended June 30, 2024, are set out on page one to six.

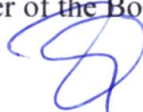
iii) Directors

The directors who held office during the year and to the date of this report are shown on page V. In accordance with the Kitui County Corporations Act, no Director is eligible to retire by rotation

iv) Auditors

The Auditor-General is responsible for the statutory audit of KICOTEC in accordance with Article 229 of the Constitution of Kenya 2010 and the Public Audit Act 2015.

By Order of the Board



Name

Peter Toma

Corporation Secretary/Secretary to the Board

12. Statement of Directors Responsibilities

Section 164 of the Public Finance Management Act, 2012 and Kitui County Corporations Act, 2019 require the Directors to prepare financial statements in respect of that *Entity*, which give a true and fair view of the state of affairs of the 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's 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, 2024. 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 accept responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Kitui County Corporations Act, 2019. 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, 2024, and of the Company's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern. 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.

Annual Report and Financial Statements for the year ended June 30, 2024.

Approval of the financial statements

The Company's financial statements were approved by the Board on 25/09/ 2024 and signed on its behalf by:



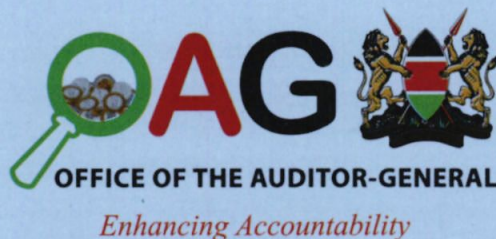
.....
Name *Dr. Grace Mutua*
Chairperson of the Board



.....
Name *Pelei Yama*
Accounting Officer

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KITUI COUNTY TEXTILE CENTRE FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kitui County Textile Centre set out on pages 1 to 40 which comprise of the statement of financial position as at 30 June, 2024 and the statement of financial performance, statement of changes in net

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kitui County Textile Centre as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kitui County Corporation Act, 2019 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Long Outstanding Trade and Other Receivables

The statement of financial position and as disclosed in Note 13 to the financial statements reflect trade and other receivables balance of Kshs.81,054,532. However, review of the ageing analysis indicated that debts worth Kshs.62,119,867 or approximately 77% of the total debts were over 180 days old. Management did not demonstrate any tangible efforts to recover the long outstanding amounts and therefore the recoverability of the debts is doubtful. Further, the entity does not have a Bad Debts Management Policy and has not set a specific provision for the long outstanding debts despite the collectability of the debts being doubtful.

In the circumstances, the accuracy, completeness and recoverability of trade and other receivables balance of Kshs.81,054,232 could not be confirmed.

2.0 Variances between Financial Statements and Supporting Schedules

Review of records revealed the following unexplained variances between the amounts reflected in the financial statements and the supporting schedules.

| Item | Financial statement amount (Kshs) | Supporting schedule amount (Kshs) | Variance (Kshs) |
|--|--|--|------------------------|
| Trade and other receivables | 81,054,932. | 81,642,072 | 587,140. |
| Gross Sales of goods (KIKOTEC) account | 48,633,222 | 48,740,742 | 107,520 |
| Inventories | 20,249,749 | 20,313,147 | . 63,398 |

In the circumstances, the accuracy and completeness of trade and other receivables, gross sales and inventories could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kitui County Textile Centre Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.303,000,000 and Kshs.41,925,191 respectively resulting to under-funding of Kshs.261,074,809 or approximately 86% of the budget.

The under-funding may affect the planned activities and may impact negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1. Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on Financial statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness in Internal Controls, Risk Management and Governance. However, Management has not included the issues in the report nor resolved them and has not explained failure to adhere to the provisions of the reporting template as prescribed by the Public Sector Accounting Standards Board.

2. Material Uncertainty Related to Going Concern

The statement of financial performance reflects deficit for the year of Kshs.11,336,562 (Deficit of Kshs.14,745,370 in 2022/2023). In addition, the statement of financial position reflects total current liabilities of Kshs.114,603,069 against total current assets of

Kshs.105,204,336 resulting in a negative working capital of Kshs.9,398,733. The unfavorable financial status implies that the Company may not be able to meet its financial obligations as and when they fall due. Further, the Directors have not made specific disclosure on the risk of going concern status of the Company or indicated the measures put in place to stop the loss-making trend and return the Company to profitability.

In the circumstances, the Company's sustainability is dependent upon continued support from the County Government, shareholders and creditors.

Other Information

The Management is responsible for the other information set out on pages iii to xxiii which comprise of Key Entity Information and Management, The Board of Directors/Management, Key Management Team, Chairperson's statement, Report of the Ag Chief Executive Officer, Statement of Performance Against Pre-determined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of Directors and Statement of Directors Responsibilities, The other information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Non-Remittance of Statutory Deductions

Review of records on statutory deductions revealed that the entity had not remitted to the relevant Authorities Kshs.7,651,145, Kshs.91,806 and Kshs.2,501,594 in respect to

PAYE, Housing Levy deductions and National Social Security Fund respectively. This is contrary to Regulation 22 (2) (a) of the Public Finance Management (County Governments) Regulations, 2015, which requires Accounting Officers to comply with any tax, levy, duty, pension, commitments and audit commitments as may be provided for by legislation.

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

2.0 Non – Compliance with the Law on Fiscal Responsibility on Wage Bill

The Statement of financial performance and as disclosed in Note 7 to the financial statements reflect employee costs of Kshs.34,501,914 or approximately 82% of the total revenue of Kshs.41,925,191. This is contrary to the provisions of Regulation 25(1) (a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which stipulates that, (a) the County Executive Committee Member with the approval of County Assembly shall set out a limit of County Government expenditure on wages and benefits for its Public Officers which shall not exceed thirty-five percent (35%) of the County Government's total revenue.

In the circumstances, Management was in breach of law.

3.0 Non-Compliance with the Reporting Template

Review of the financial statements revealed the following presentation and disclosure errors:

- i. Passport photo for one Board member is missing on page vi.
- ii. Details on whether the secretary is a member of the Institute of Certified Secretaries as required under the Mwongozo Code.
- iii. Report of the Directors does not indicate the pages for the results of the entity.
- iv. Failure to use the direct method on cashflow presentation as prescribed by the Board.

In the circumstances, Management did not comply with the reporting template as prescribed by the Public Sector Accounting Standards Board.

4.0 Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 15 to the financial statements reflect trade and other payables balance of Kshs.111,552,441. However, review of supporting schedules revealed that payables amounting to Kshs.98,607,932 or approximately 88% have been outstanding for more than one year. This is contrary to Section 94 (1) (a) (i) of the Public Finance Management Act, 2012 which states that a State organ or Public entity is in serious material breach or persistent material breach if

the State organ or Public entity fails to make any payments as and when due. In addition, Management did not provide for audit review measures put in place to settle the liabilities.

In the circumstances, Management was in breach of law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1.0. Lack of Risk Management Policy and Strategy

Review of internal control records and information provided by Management revealed that the Company lacks a Risk Management Policy, contrary to Regulation 158 (1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

In the circumstances, the Company is exposed to possible loss of funds and interruption of business operations.

2.0. Lack of Information Communication Policy (ICT) Policy

As previously reported, review of Kitui County Textile Centre Information Communication Technology (ICT) environment revealed that the Textile Centre did not have an approved ICT Policy in place to enable the entity to manage business processes for delivery of services to the public in an effective and efficient manner. Lack of automated system and ICT Policy may lead to loss of data confidentiality, inaccuracies, lack of reliability and integrity thereby leading to ineffective operations.

In the circumstances, effectiveness of internal controls on management of ICT could not be confirmed.

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

Responsibilities of the Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the centre's, ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 December, 2024

14. Statement of Financial Performance for the year ended 30 June 2024

| | Note | 2023/2024 | 2022/2023 |
|--|------|---------------------|---------------------|
| | | Kshs | Kshs |
| Revenue from exchange transactions | | | |
| Sale of goods | 4 | 41,925,191 | 44,979,679 |
| Total revenue | | 41,925,191 | 44,979,679 |
| Cost of Sales | 5 | (7,443,698) | (10,627,504) |
| Gross Profit | | 34,481,493 | 34,352,175 |
| Expenses | | | |
| Use of goods and services | 6 | 3,774,482 | 6,380,048 |
| Employee costs | 7 | 34,501,914 | 35,903,864 |
| Board Expenses | 8 | 1,470,000 | 1,422,928 |
| Depreciation and amortization expense | 9 | 9,850,513 | 10,305,829 |
| Total expenses | | 49,596,909 | 54,012,669 |
| Surplus/ (deficit) before tax | | (15,115,415) | (19,660,494) |
| Taxation | 10 | 3,778,854 | 4,915,123 |
| Surplus/(deficit) for the period/year | | (11,336,562) | (14,745,370) |
| Remission to County Treasury | | - | - |
| Net Surplus for the year | | (11,336,562) | (14,745,370) |

The notes set out on pages 25 to 38 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:



Name: *Dr. Grace Muliya*

Chairman of the Board

Date *25/09/24*



Name: *Peter Yoma*

Accounting Officer

Date *25/09/24*



Name: *Peter Yoma*

Head of Finance

ICPAK M/No: *7548*

Date *25/09/24*

15 Statement of Financial Position as at 30 June 2024

| | Note | 2023/2024 | 2022/2023 |
|--------------------------------------|------|--------------------|--------------------|
| | | Kshs | Kshs |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 65,117,311 | 74,967,824 |
| Deferred tax | 16 | 30,264,567 | 26,485,713 |
| Total non-current assets | | 95,381,878 | 101,453,537 |
| Current assets | | | |
| Inventories | 12 | 20,249,749 | 19,264,112 |
| Trade and other receivables | 13 | 81,054,232 | 83,493,073 |
| Cash and cash equivalents | 14 | 3,900,055 | 714,758 |
| Total current assets | | 105,204,336 | 103,471,943 |
| TOTAL ASSETS | | 200,586,214 | 204,925,480 |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Capital injected | 11 | 168,608,089 | 168,608,089 |
| Retained earnings | | (82,624,946) | (71,288,384) |
| Capital and Reserves | | 85,983,143 | 97,319,705 |
| Non-current liabilities | | | |
| Deferred tax | | - | - |
| Total non-current liabilities | | - | - |
| Current liabilities | | | |
| Trade and other payables | 15 | 111,552,441 | 104,555,147 |
| Current Tax | 15 | 3,050,628 | 3,050,628 |
| Total current liabilities | | 114,603,069 | 107,605,775 |
| TOTAL EQUITY AND LIABILITIES | | 200,586,212 | 204,925,480 |

Annual Report and Financial Statements for the year ended June 30, 2024.

The financial statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:



Name: Dr. Grace Mubwa

Chairman of the Board

Date 25/09/24



Name: Peter Some

Accounting Officer

Date 25/09/24



Name: Peter Some

Head of Finance

ICPAK M/No:

Date 25/09/24,

16. Statement of Changes in Net Assets for the year ended 30 June 2024

| Equity Changes | | Capital Injected Shs | Accumulated Profit/losses | Total |
|--|------|-------------------------|------------------------------|--------------------|
| | Note | | Shs | Shs |
| At July 1, 2020 | | 166,219,549 | 6,896,676 | 173,116,225 |
| Capital injected by Kitui County Government 2020/2021 | 10 | 2,388,540 | - | 2,388,540 |
| Total comprehensive profit/(loss) for the year 2020/2021 | | | 4,013,943 | 4,013,943 |
| As at June 30, 2021 | | 168,608,089 | 10,910,619 | 179,518,708 |
| As at July 1, 2021 | | 168,608,089 | 10,910,619 | 179,518,708 |
| Capital injected by Kitui County Government 2021/2022 | | - | | - |
| Total comprehensive profit/(loss) for the year 2021/2022 | | | (67,453,633) | (67,453,633) |
| Dividend Declared | | | | |
| As at June 30, 2022 | | 168,608,089 | (56,543,014) | 112,065,075 |
| As at July 1, 2022 | | 168,608,089 | (56,543,014) | 112,065,075 |

Annual Report and Financial Statements for the year ended June 30, 2024.

| | | | | |
|--|--|--------------------|---------------------|-------------------|
| Capital injected by Kitui County Government 2022/2023 | | - | | - |
| Total comprehensive profit/(loss) for the year 2022/2023 | | | (14,745,370) | (14,745,370) |
| Dividend Declared | | | | |
| As at June 30, 2023 | | 168,608,089 | 71,288,384 | 97,319,705 |
| | | | | |
| As at July 1,2023 | | 168,608,089 | 71,288,384 | 97,319,705 |
| Capital injected by Kitui County Government 2023/2024 | | - | | - |
| Total comprehensive profit/loss for the year 2023/2024 | | | (11,336,562) | (11,336,562) |
| Dividend Declared | | | | |
| As at June 30, 2024 | | 168,608,089 | (82,624,946) | 85,983,143 |

17. Statement of Cash Flows for the year ended 30 June 2024

| | | 2023/2024 | I2022/2023 |
|---|-------------|--------------------|---------------------|
| | Note | Kshs | Kshs |
| Cash flows from operating activities | | | |
| Profit before tax | | (15,115,415) | (19,660,494) |
| Add back: Non-cash items | | | |
| Depreciation on property, plant and equipment | 11 | 9,850,513 | 10,305,829 |
| Cash before operating activities | | (5,264,902) | (9,354,664) |
| Changes in working capital | | | |
| Cash generated from/(used in) operations | | | |
| Increase/Decrease in Inventories | | (985,637) | (775,685) |
| Increase/Decrease in Trade and other receivables | | 2,438,541 | (22,085,156) |
| Increase/Decrease in Trade and other payables | | 6,997,294 | 16,885,109 |
| Net Cash from Operating Activities | | 3,185,296 | (15,330,396) |
| Tax paid | | - | - |
| Net cash from operating activities | | 3,185,296 | (15,330,396) |
| Investing activities | | | |
| Purchase of property, plant and equipment | 11 | - | - |
| Net cash from investing activities | | - | - |
| Financing activities | | | |
| Capital injection by Kitui county Government | 10 | - | - |
| Net cash generated from financing activities | | | |
| Increase in cash and cash equivalents | | 3,185,296 | (15,330,396) |
| Movement in cash and cash equivalents | | | |
| At start of year 2023 | | 714,758 | 16,045,154 |
| Increase/decrease for the year | | 3,185,296 | (15,330,396) |
| At end of year 2023/2024 | 14 | 3,900,054 | 714,758 |

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2024

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % of utilization |
|---|--------------------|-------------|--------------------|----------------------------|------------------------|------------------|
| | Kshs | Kshs | Kshs | Kshs | Kshs | |
| | a | b | c=(a+b) | d | e=(c-d) | f=d/c*100 |
| Revenue | | | | | | |
| Sale of goods | 303,000,000 | - | 303,000,000 | 41,925,191 | 261,074,809 | 13.83% |
| Transfers from County Government of Kitui | - | - | - | - | - | - |
| Total Income | 303,000,000 | - | 303,000,000 | 41,925,191 | 261,074,809 | 13.83% |
| Expenses | | | | | | |
| Compensation of employees (Staff Cost) | 74,960,000 | - | 74,960,000 | 34,901,514 | 40,058,486 | 47.56% |
| Use of goods & Services | 120,000,000 | - | 120,000,000 | 7,443,698 | 112,556,302 | 6.2% |
| Other payments | 62,421,000 | - | 62,421,000 | 17,043,371 | 45,377,629 | 27.3% |
| Total Expenditure | 257,381,000 | - | 257,381,000 | 59,388,583 | 197,992,417 | 23.07% |
| Surplus for the period | 19,119,000 | - | 19,119,000 | (17,463,392) | 36,582,392 | 91.34% |
| Capital Expenditure | 26,500,000 | - | 26,500,000 | - | 26,500,000 | |

Annual Report and Financial Statements for the year ended June 30, 2024.

Budget notes

- During this financial period, the sale of goods was affected because most of our customers were not able to give us more business as anticipated due to lack of capital.
- The use of goods & other services, administrative expenses, selling & distribution was generally affected by the limited orders from our customers.

19. Notes to the Financial Statements

1. General Information

Kitui County Textile Centre is domiciled in Kenya where it is incorporated under the Kitui County Corporation Act, 2019. The address of its registered office and principal place of business is as set out on page 2.

The principal activity of the entity is to manage textile manufacturing in the county in accordance with Kitui County Corporation Act 2019, promote best practices in and regulate production, processing and marketing of apparel, garments and textiles.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value.

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the 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 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company. *The* financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2024.*

There were no new and amended standards issued in the financial year.

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.*

| Standard | Effective date and impact: |
|--|--|
| IPSAS 43 | <p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> |
| IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations | <p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> |
| IPSAS 45- Property Plant and Equipment | <p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> |
| IPSAS 46 Measurement | <p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. |

| Standard | Effective date and impact: |
|------------------------------------|--|
| | <p>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</p> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> |
| IPSAS 47- Revenue | <p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> |
| IPSAS 48- Transfer Expenses | <p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> |
| IPSAS 49- Retirement Benefit Plans | <p>Applicable 1st January 2026</p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> |

iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the company and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance upon fulfilling the conditions set.

Levies, Fines, and penalties

The company recognizes revenues from Levies, Fines, and penalties when the event occurs and the asset recognition criteria are met.

ii) Revenue from exchange transactions

Rendering of services

The Entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

b) Budget information

The original budget for the Current FY was approved by the Board of directors on 30 May 2023. 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 didn't record additional appropriations. 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 financial performance has been presented under page 7 of these financial statements.

c) Taxes

Current income tax

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

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable *Company* and the same taxation authority.

Sales tax

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

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

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

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the *Company*. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The *Entity* also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the company will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the company. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

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

h) Research and development costs

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

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale.
- ii) Its intention to complete and its ability to use or sell the asset.
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset.
- v) The ability to measure reliably the expenditure during development.

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

i) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The company does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

i. Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables 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.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL).

ii. Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

j) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory

is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the company.

k) Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

l) Contingent liabilities

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

m) Contingent assets

The company does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of

economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

n) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

o) Changes in accounting policies and estimates

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

p) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Entity pays fixed contributions into a separate Entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

q) Foreign currency transactions

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

r) Borrowing costs

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

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

s) Related parties

The company regards a related party as a person or an Entity with the ability to exert control individually or jointly, or to exercise significant influence over the company.

t) Service concession arrangements

The company analyses all aspects of service concession arrangements that it enters 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.

u) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

v) Comparative figures

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

w) 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, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

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

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. E.g. provision for bad debts.

4.Sale of Goods

| Revenue | 2023/2024 Shs | 2022/2023 Shs |
|---|--------------------------|--------------------------|
| Gross sales of goods (KICOTEC account) | 48,633,222 | 52,176,428 |
| Less: Value added tax on gross sales | (6,708,031) | (7,196,749) |
| Total (sale of ppe's, uniforms and other garments) | 41,925,191 | 44,979,679 |

5.Cost of sales

| | | |
|----------------------------|------------------|-------------------|
| Cost of sales on goods | 7,443,698 | 10,627,504 |
| Total cost of sales | 7,443,698 | 10,627,504 |

6.Use of goods and Services

| | 2023/2024 | 2022/2023 |
|--|------------------|------------------|
| Electricity and water | 1,760,656 | 1,454,516 |
| Communication services and supplies | 555,000 | 238,160 |
| Transportation, travelling and subsistence | - | 1,165,745 |
| Stationery supplies and services | 192,440 | - |
| Advertisement Expenses | 84,188 | - |
| Hospitality supplies and services | 96,000 | 15,000 |
| Training Expense (including capacity building) | 51,090 | - |
| Refined Fuel | - | 638,793 |
| Bank charges and commissions | 11,178 | 39,630 |
| Office and general supplies and services | 100,770 | 52,330 |
| Other operating expenses | 887,160 | 2,692,772 |
| Routine Maintenance vehicle & other transport | 36,000 | 83,102 |
| Total use of goods and services | 3,774,482 | 6,380,048 |

7.Employee costs

| | | |
|-------------------------------------|-------------------|-------------------|
| Salaries and wages – Production | 26,435,507 | 26,553,177 |
| Salaries and wages – Administrative | 8,066,407 | 9,350,687 |
| Total salaries and wages | 34,501,914 | 35,903,864 |

The average number of persons employed during
The year, by category, were:

| | Number of | staff |
|-------------------------------|------------------|--------------|
| Production | 166 | 208 |
| Management and administration | 11 | 09 |
| Total | 177 | 217 |

8.Board Expenses

| Description | 2023/2024 | 2022/2023 |
|-----------------------|------------------|------------------|
| | Kshs | Kshs |
| Chairperson Honoraria | 448,000 | - |
| Sitting Allowances | 1,022,000 | 1,422,928 |
| Total | 1,470,000 | 1,422,928 |

9.Depreciation and Amortization Expenses

| Description | 2023/2024 | 2022/2023 |
|--|------------------|-------------------|
| | Kshs | Kshs |
| Property, plant and equipment | 9,850,513 | 10,305,829 |
| Total depreciation and amortization | 9,850,513 | 10,305,829 |

10.Taxation

| | | | |
|------------------------|--|--------------------|--------------------|
| Current tax | | -- | - |
| Deferred tax (Note 17) | | (3,778,854) | (4,915,123) |
| | | <u>(3,778,854)</u> | <u>(4,915,123)</u> |

The tax on the entities loss/profit before tax differs from the theoretical amount that would arise using the basic rate as follows:

| | | |
|--|--------------------|--------------------|
| Loss/Profit before tax | (15,115,415) | (19,660,494) |
| Tax calculated at a tax rate of 25% | (3,778,854) | (4,915,123) |
| Tax effect of: temporal differences - | - | - |
| Tax charge- | <u>(3,778,854)</u> | <u>(4,915,123)</u> |

11.Capital injected

| | | |
|--|--------------------|--------------------|
| At start of the year 2022/2023 | 168,608,089 | 168,608,089 |
| Capita injected 2023/2024 by Kitui County Government | | - |
| At end of year 2023/2024 | <u>168,608,089</u> | <u>168,608,089</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Property, Plant and Equipment

| Year 2023/2024 | Buildings and civil works | Machinery | Equipments | Furniture and fittings | Computer |
|------------------------------------|--|--------------------------|-------------------------|---------------------------------------|------------------|
| | Shs | Shs | Shs | Shs | Shs |
| | 4% | 12.5% | 12.5% | 12.5% | 33.33% |
| Cost | | | | | |
| At start of year - 1 July 2023 | 52,271,841 | 49,270,410 | 5,187,000 | 5,677,460 | 2,094,500 |
| Additions | - | - | - | - | - |
| At end of 30 June 2024 | <u>52,271,841</u> | <u>49,270,410</u> | <u>5,187,000</u> | <u>5,677,460</u> | <u>2,094,500</u> |
| Depreciation | | | | | |
| At start of year - 1 July 2023 | 8,204,036 | 24,139,044 | 2,593,501 | 2,745,087 | 1,851,710 |
| Charge for the year | <u>2,090,874</u> | <u>6,158,801</u> | <u>648,375</u> | <u>709,683</u> | <u>242,780</u> |
| At end of 30 June 2024 | <u>10,294,910</u> | <u>30,297,845</u> | <u>3,241,876</u> | <u>3,454,769</u> | <u>2,094,500</u> |
| Net book value 30 June 2024 | <u><u>41,976,931</u></u> | <u><u>18,972,565</u></u> | <u><u>1,945,124</u></u> | <u><u>2,222,691</u></u> | <u><u>0</u></u> |

Annual Report and Financial Statements for the year ended June 30, 2024.

Year 2022/2023

| | Buildings and civil works | Machinery | Equipments | Furniture and fittings | Computers | Total |
|----------------------------------|--------------------------------------|-------------------|-------------------|-----------------------------------|------------------|--------------------|
| | Shs | Shs | Shs | Shs | Shs | Shs |
| | 4% | 12.5% | 12.5% | 12.5% | 33.33% | |
| Cost | | | | | | |
| At start of year - 1 July 2022 | 52,271,841 | 49,270,410 | 5,187,000 | 5,677,460 | 2,094,500 | 114,501,211 |
| Additions | - | - | - | - | - | - |
| At end of 30 June 2023 | 52,271,841 | 49,270,410 | 5,187,000 | 5,677,460 | 2,094,500 | 114,501,211 |
| Depreciation | | | | | | |
| At start of year - 1 July 2022 | 6,113,162 | 17,980,243 | 1,945,126 | 2,035,404 | 1,153,623 | 29,227,557 |
| Charge for the year | 2,090,874 | 6,158,801 | 648,375 | 709,683 | 698,097 | 10,305,829 |
| At end of 30 June 2023 | 8,204,036 | 24,139,044 | 2,593,501 | 2,745,087 | 1,851,719 | 39,533,387 |
| Net book value 30 June 23 | 44,067,805 | 25,131,366 | 2,593,499 | 2,932,374 | 242,781 | 74,967,824 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 2023/2024 | 2022/2023 |
|---|-------------------|-------------------|
| | Shs | Shs |
| 12. Inventories | | |
| Raw materials | 13,310,051 | 11,530,077 |
| Work in progress | - | - |
| Maintenance store | 2,102,030 | 1,516,607 |
| Finished products | 4,837,668 | 6,217,428 |
| | <u>20,249,749</u> | <u>19,264,112</u> |
| 13. Trade and other receivables | | |
| Trade debtors | 81,642,072 | 80,310,386 |
| Provision for expected credit loss | (587,540) | (587,540) |
| Net trade debtors | 81,054,532 | 79,722,846 |
| VAT recoverable | - | 3,770,227 |
| | <u>81,054,532</u> | <u>83,493,073</u> |
| Movement in expected credit losses | | |
| At start of year 2022/2023 | 587,540 | 587,540 |
| Less Debtors paid | - | - |
| Add provision | - | - |
| At end of year 2023/2024 | <u>587,540</u> | <u>587,540</u> |
| 14. Cash and cash equivalents | | |
| Equity Bank A/C No. Revenue (0720279696877) | 1,550,168 | 46,735 |
| Equity Bank A/C No. Operations(0720279696894) | 2,349,887 | 668,023 |
| Total cash and cash equivalents | <u>3,900,055</u> | <u>714,758</u> |
| For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following: | | |
| Cash at bank | <u>3,900,055</u> | <u>714,758</u> |
| | <u>3,900,055</u> | <u>714,758</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 2023/2024 Shs. | 2023/2022 Shs |
|---|---------------------|---------------------|
| 15. Trade and other payables | | |
| Trade payables | 111,552,411 | 104,555,147 |
| | <u>111,552,411</u> | <u>104,555,147</u> |
| Tax Liabilities | 3,050,628 | 3,050,628 |
| Current tax | <u>3,050,628</u> | <u>3,050,628</u> |
| 16. Deferred tax | | |
| Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 25%. The movement on the deferred tax account is as follows: | | |
| | Shs | Shs |
| At start of year 2022/2023 | (26,485,713) | (21,570,589) |
| Charge to profit or loss (Note 10) | (3,778,854) | (4,915,123) |
| | <u>(30,264,567)</u> | <u>(26,485,713)</u> |

Deferred tax liability in the statement of financial position and deferred tax (credit)/charge in profit or loss are attributable to the following items:

Year 2023/2024

| | At start of the year Shs | (Credit)/ charge to profit or loss Shs | At end of the year Shs |
|-------------------------------------|-----------------------------------|--|---------------------------------|
| Deferred tax liabilities | | | |
| Property, plant and equipment | | | |
| - historical cost | 975,060 | (421,514) | 553,546 |
| | <u>975,060</u> | <u>(421,514)</u> | <u>553,546</u> |
| Deferred tax (asset) | | | |
| - Tax losses carried forward | (27,460,771) | (3,357,340) | (30,818,111) |
| Net deferred tax liabilities | <u>(26,485,711)</u> | <u>(3,778,854)</u> | <u>(30,264,565)</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year 2022/2023

| | At start of the year Shs | (Credit)/ charge to profit or loss Shs | At end of the year Shs |
|-------------------------------------|-----------------------------------|--|---------------------------------|
| Deferred tax liabilities | | | |
| Property, plant and equipment | | | |
| - historical cost | 1,228,428 | (253,368) | 975,060 |
| | <u>1,228,428</u> | <u>(253,368)</u> | <u>975,060</u> |
| Deferred tax (asset) | | | |
| - Tax losses carried forward | (22,799,016) | (4,661,756) | (27,460,771) |
| Net deferred tax liabilities | <u>(21,570,588)</u> | <u>(4,915,123)</u> | <u>(26,485,711)</u> |

17. Related Party Transaction

The following transaction were carried out with related parties

| Sale of goods and services | 2023/2024 | 2022/2023 |
|-----------------------------------|------------------|------------------|
| - Kitui County Executive | - | - |
| | <u>-</u> | <u>-</u> |

Receivable from related parties

| | | |
|------------------------|-------------------|-------------------|
| Kitui County Executive | 30,461,214 | 31,511,844 |
| | <u>30,461,214</u> | <u>31,511,844</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Key management personnel compensation

The remuneration of directors and other members of key management during the period was as follows:

| | | |
|-------------------------------------|------------------|------------------|
| Salaries and wages - key management | 7,005,792 | 8,176,155 |
| Directors' fees - other allowances | 1,470,000 | 1,422,928 |
| | <u>8,475,792</u> | <u>9,599,083</u> |

18. Risk management objectives and policies

Financial risk management

Due to the nature of its operations, the entity is exposed to losses that may arise from market risks, credit risk and liquidity risks. The directors have adopted various measures to recognize losses that may arise from the exposures. These are explained as follows:

(a) Market Risk

The board has not put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The company's Finance department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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

i. Price risk

The entity does not hold any financial instruments that are susceptible to changes in price and therefore it does not face this risk.

ii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will

fluctuate because of changes in market interest rates. The entity takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Since the base rates charged by the banks are determined by the market forces, the company has not formulated any practical measures to minimize the exposure. As at 30 June 2021, the entity did not have any interest bearing financial assets and financial liabilities.

iii. Foreign exchange risk

Foreign currency exchange risk arises when future commercial transactions, or recognized assets and liabilities are denominated in a currency that is not the entity's functional currency.

(b) Credit risk

Credit risk arises from cash and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the entity. Management assesses the credit quality of each customer, taking into account its financial position, past experiences and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by management. The utilization of credit limits is regularly monitored. The entity's credit risk is primarily attributable to its related party, cash and cash equivalents and trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

The credit risk is managed through management's constant assessment and monitoring of the status of the credit worthiness of its clients. The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by the banking regulatory authority.

The amount that best represents the company's maximum exposure to credit risk is made up as follows:

**Year
2023/2024**

| | Full performing Shs | Past due Shs | Impaired Shs | Total Shs |
|-----------------------------|------------------------------------|-------------------------|-------------------------|----------------------|
| Trade and other receivables | 81,054,532 | 587,540 | - | 81,642,072 |
| Cash and cash equivalents | 3,900,055 | - | - | 3,900,055 |
| | <u>84,954,587</u> | <u>587,540</u> | <u>-</u> | <u>85,542,127</u> |

**Year
2022/2023**

| | Full performing Shs | Past due Shs | Impaired Shs | Total Shs |
|-----------------------------|------------------------------------|-------------------------|-------------------------|----------------------|
| Trade and other receivables | 79,722,846 | 587,540 | - | 80,310,386 |
| Cash and cash equivalents | 714,758 | - | - | 714,758 |
| | <u>80,437,604</u> | <u>587,540</u> | <u>-</u> | <u>81,025,144</u> |

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 recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated. Cash and cash equivalents are fully performing.

(a) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has put in place 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 by maintaining banking facilities and continuous monitoring of forecast and actual cash flows.

The table below analyses the firm's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the

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contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Capital Management

The entity manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders issued comprising capital, reserves and retained earnings.

The entity has no borrowings.

20. Commitments

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

Contractual commitments for the acquisition of property, plant and equipment

| | 2023/2024 Shs |
|--|--------------------------------|
| Amounts authorised and contracted for | - |
| Amounts authorized but not contracted for | - |
| Less: Amounts included in work in progress | - |
| | 2022/2023 Shs |
| Amounts authorised and contracted for | - |
| Amounts authorized but not contracted for | - |
| Less: Amounts included in work in progress | - |
| | - ----- - ===== |

21. Contingent liabilities

As at 30 June 2024, the entity did not have any contingent liabilities.

22. 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, 2024.

| 23. Tax computation | 2023/2024 Shs | 2022/2023 Shs. |
|---|-----------------------------|-----------------------------|
| Profit before tax as per the financial statements | (15,115,415) | (19,660,494) |
| Add: | | |
| Depreciation on property, plant and equipment | <u>9,850,513</u> | <u>10,305,829</u> |
| | (5,264,902) | (9,354,664) |
| Less income not subject to tax | - | - |
| Adjusted taxable profit | (5,264,902) | (9,354,664) |
| Less Capital Allowances | | |
| Wear and tear deductions | <u>(8,164,458)</u> | <u>(9,292,358)</u> |
| Adjusted loss/Profit for the year | <u>(13,429,360)</u> | <u>(18,647,022)</u> |
| Corporate tax @ 25% | - | - |
| Tax payable | - | - |
| Summary of Losses | | |
| Loss b/f 2023 | (109,843,086) | (91,196,063) |
| Loss for the year 2024 | <u>(13,429,360)</u> | <u>(18,647,022)</u> |
| | <u>(123,272,446)</u> | <u>(109,843,086)</u> |

WEAR AND TEAR SCHEDULE

Year 2024

| | Buildings 10% KShs. | Machinery 12.5% KShs. | Furniture and fittings 12.5% KShs. | Furniture fittings and equipments 12.5% KShs. | Computer 30% KShs. | Total KShs. |
|--|------------------------------------|--------------------------------------|---|--|-----------------------------------|------------------------|
| Written down values | | | | | | |
| brought forward | 34,586,167 | 29,217,768 | 3,040,524 | 3,390,757 | 832,368 | 71,067,584 |
| Additions | 0 | 0 | 0 | 0 | 0 | 0 |
| | 34,586,167 | 29,217,768 | 3,040,524 | 3,390,757 | 832,368 | 71,067,584 |
| Wear and tear allowance | (3,458,617) | (3,652,221) | (380,066) | (423,845) | (249,710) | (8,164,458) |
| Written down values carried forward | 31,127,551 | 25,565,547 | 2,660,459 | 2,966,912 | 582,658 | 62,903,126 |

Year 2022/2023

| | Computer 30% KShs. | Machinery 12.5% KShs. | Furniture and fittings 12.5% KShs. | Furniture fittings and equipments 12.5% KShs. | Buildings 10% KShs. | Total KShs. |
|--|-----------------------------------|--------------------------------------|---|--|------------------------------------|------------------------|
| Written down values | | | | | | |
| brought forward | 1,189,097 | 33,391,735 | 3,474,885 | 3,875,151 | 38,429,075 | 80,359,942 |
| Additions | 0 | 0 | 0 | 0 | 0 | 0 |
| | 1,189,097 | 33,391,735 | 3,474,885 | 3,875,151 | 38,429,075 | 80,359,942 |
| Wear and tear allowance | (356,729) | (4,173,967) | (434,361) | (484,394) | (3,842,907) | (9,292,358) |
| Written down values carried forward | 832,368 | 29,217,768 | 3,040,524 | 3,390,757 | 34,586,167 | 71,067,584 |

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| Subject: | DEFERRED TAX | | ACCOUNT | |
|--------------------------|---------------------|------------------------|------------------------|---------------------|
| Year 2023/2024 | Tax bases | Carrying values | Temporary Diff. | 25% |
| Machinery | 25,565,547 | 18,972,565 | (6,592,982) | (1,648,245) |
| Computers | 582,658 | (0) | (582,658) | (145,664) |
| Equipment's | 2,966,912 | 1,945,124 | (1,021,788) | (255,447) |
| Furniture and fittings | 2,660,459 | 2,222,691 | (437,768) | (109,442) |
| Building and Civil works | 31,127,551 | 41,976,931 | 10,849,381 | 2,712,345 |
| Total | 62,903,126 | 65,117,311 | 2,214,185 | 553,546 |
| Tax losses carried down | 123,272,446 | - | (123,272,446) | (30,818,111) |
| | <u>186,175,572</u> | <u>65,117,311</u> | <u>(121,058,261)</u> | <u>(30,264,565)</u> |

| Subject: | DEFERRED TAX | | ACCOUNT | |
|--------------------------|---------------------|------------------------|------------------------|---------------------|
| Year 2022/2023 | Tax bases | Carrying values | Temporary Diff. | 25% |
| Machinery | 29,217,768 | 25,131,366 | (4,086,402) | (1,021,600) |
| Computers equipment | 832,368 | 242,781 | (589,587) | (147,397) |
| Equipment's | 3,390,757 | 2,593,499 | (797,258) | (199,314) |
| Furniture and fittings | 3,040,524 | 2,932,374 | (108,151) | (27,038) |
| Building and Civil works | 34,586,167 | 44,067,805 | 9,481,638 | 2,370,409 |
| Total | 71,067,584 | 74,967,824 | 3,900,240 | 975,060 |
| Tax losses carried down | 109,843,086 | - | (109,843,086) | (27,460,771) |
| | <u>180,910,670</u> | <u>74,967,824</u> | <u>(105,942,845)</u> | <u>(26,485,711)</u> |

25.Currency

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

26. APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION

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:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Entity responsible for the implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report..

.....

Director General/CEO/MD (enter title of head of Entity)

Date:

KICOTEC management team has implemented most of the recommendation from the auditors e.g. using the correct template when preparing the financial statements and ensuring we adhere according to the requirements.

The other issues mentioned by the auditors, we will continue implementing them when we have available resources.

Appendix II: Projects implemented by KICOTEC

N/A

Projects implemented by the Kitui County Textile Centre and funded by development partners and/ or the County Government.

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

Status of Projects Completion

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

| SN | Project | Total project Cost | Total expended to date | Completion % to date | Budget | Actual | Sources of funds |
|-----|---------|--------------------------|------------------------------|-------------------------|--------|--------|---------------------|
| N/A | | | | | | | |
| | | | | | | | |

Appendix IV: Transfers from Other Government Entities

N/A

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

N/A

Appendix V- Inter-Entity Confirmation Letter

N/A

[Insert your Letterhead]

[Insert name of beneficiary Entity]

[Insert Address]

The [insert CC/SAGA/Fund name here] wishes to confirm the amounts disbursed to you as at 30th June 20xx 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 (Current FY)

| Referen ce Number | Date Disburse d | Amounts Disbursed by [CC/SAGA/Fund] (KShs) as at 30th June (Current FY) | | | | Amount Received by [beneficia ry Entity] (KShs) as at 30 th June (Previous FY) (E) | Differenc es (KShs) (F)=(D-E) |
|-------------------------|-----------------------|--|---------------------|---------------------------------|--------------------------|---|-------------------------------------|
| | | Recurr ent (A) | Developme nt (B) | Inter- Departme nt (C) | Total (D)=(A+B+ C) | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| Total | | | | | | | |

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

Head of Finance department of beneficiary Entity:

Name SignDate

Appendix VI: Reporting of Climate Relevant Expenditures

N/A

| Project Name | Project Description | Project Objectives | Project Activities | Quarter | | | | Source of Funds | Implementing Partners |
|--------------|---------------------|--------------------|--------------------|---------|-----|-----|-----|-----------------|-----------------------|
| | | | | Q 1 | Q 2 | Q 3 | Q 4 | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |

Appendix VII: Reporting on Disaster Management Expenditure

N/A

| 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 (Ksh s.) | Comments |
| | | | | | | |
| | | | | | | |

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