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**REPORT**

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**OF**

**THE AUDITOR-GENERAL**

**ON**

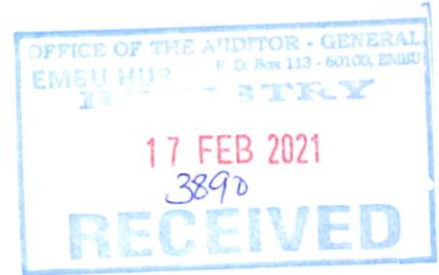
**KYENI WATER AND SEWERAGE  
COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2020**

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International Financial Reporting Standards (IFRS)  
Annual Financial Reporting Template for  
Commercial Government Owned Entities

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**KYENI WATER AND SEWERAGE COMPANY LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2020**

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

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**For the year ended June 30, 2020**

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**1. KEY ENTITY INFORMATION**

**Background information**

Kyeni water and sewerage company Ltd (KYEWASCO) was incorporated under the Company's Act on 486 on 20<sup>TH</sup> JUNE 2008. The entity is domiciled in Kenya and has branches in Mufu and Runyenjes town.

KYEWASCO covers an area of over 192.8km<sup>2</sup> which has a population of about 80,466. The head office is at Kathanjuri, Kyeni Division Headquarter Embu County

**Principal Activities**

The principal activity of the KYEWASCO is provision of water and sewerage services within the designated areas as in the service provision agreement (SPA) of Runyenjes Sub-county of Embu County.

**Directors**

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

- |    |                              |                               |                                   |
|----|------------------------------|-------------------------------|-----------------------------------|
| 1. | Mr Erasmus Kithinji Muthenya | - Chairman                    | - 10 <sup>th</sup> September 2019 |
| 2. | Mr Anthony Rutere Nyaga      | - Chief Executive             | - 10 <sup>th</sup> September 2019 |
| 3. | Mrs Feata Marigu Mumiru      | - Member                      | - 10 <sup>th</sup> September 2019 |
| 4. | Mrs Besatrice Mwari Njiru    | - Member                      | - 10 <sup>th</sup> September 2019 |
| 5. | Mr Robert Mwaniki Njeru      | - Member                      | - 10 <sup>th</sup> September 2019 |
| 6. | Mrs Stella Kagendo Kariuki   | - Member                      | - 10 <sup>th</sup> September 2019 |
| 7. | Mr Willy Namu                | - Member                      | - 10 <sup>th</sup> September 2019 |
| 8. | Mr Charles Wamai             | - Ag. General Manager         | - 7 <sup>th</sup> July 2019       |
| 9. | Embu County Government       | - CECM water and CECM Finance |                                   |

**Corporate Secretary**

Wangoko and Company Advocates  
P.O. Box 26197 - 00100  
Nairobi - KENYA

**Registered Officer**

Charles Wamai  
P.O Box 315 – 60103,  
Runyenjes, KENYA.

**Corporate Headquarters**

Kathanjuri Division Headquarter  
Runyenjes - Karurumo road  
P.O Box 315 – 60103,

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**Annual Reports and Financial Statements**

**For the year ended June 30, 2020**

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Runyenjes, KENYA.

**Corporate Contacts**

Telephone: (254) 715 870 863

E-mail: [kyewasco@yahoo.com](mailto:kyewasco@yahoo.com)

Website: .....

**Corporate Bankers**

1. Co-operative bank of Kenya  
Embu branch  
P.O. Box 1337-60100  
Embu, Kenya

**Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya







**Principal Legal Advisers**

1. The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

**Kenya Corporation** (Indicate actual name of the entity)

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**2. THE BOARD OF DIRECTORS**

<b>WARD</b>	<b>NAME</b>	
1.KYENI SOUTH	ERASMUS KITHINJI MUTHENYA 	Date appointed 10 <sup>th</sup> September 2019 DOB. 1977 Key Qualification: B.Sc. (BED - ECDE) Work experience: Teacher (Deputy H. Teacher)
2.KYENI NORTH	ANTHONY RUTERE NYAGA 	Date appointed 10 <sup>th</sup> September 2019 DOB. 1981 Key Qualification: Diploma Work experience: Businessman
3.KYENI SOUTH	FEATA MARIGU MUMERU 	Date appointed 10 <sup>th</sup> September 2019 DOB. 1969 Key Qualification: "O" Level Work experience: Farmer
4.KYENI NORTH	ROBERT MWANIKI NJERU 	Date appointed 10 <sup>th</sup> September 2019 DOB. 1959 Key Qualification: "O" Level Work experience: Farmer
5. KYENI SOUTH	STELLA KAGENDO KARIUKI 	Date appointed 10 <sup>th</sup> September 2019 DOB. 1974 Key Qualification: BSc (social work) Work experience: Social worker
6. KAGAARI SOUTH	WILLY NAMU 	Date appointed 10 <sup>th</sup> September 2019 DOB. 1975 Key Qualification: "O" Level Work experience: Farmer
7.KYENI NORTH	BEATRICE MWARI NJIRU 	Date appointed 10 <sup>th</sup> September 2019 DOB. 1958 Key Qualification: "O" Level Work experience: Farmer
8. GENERAL MANAGER	CHARLES WAMAI 	Date appointed 7 <sup>th</sup> July 2019 DOB. 1960 Key Qualification: Higher Diploma Water Engineering. Work experience: 36 Years

**Kenya Corporation** (Indicate actual name of the entity)

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**For the year ended June 30, 2020**

9. EMBU COUNTY GOVERNMENT REP	1. CECM Water 2. SECM Finance.	
10. COMPANY SECRETARY	Wangoko and Company advocates P.O. BOX 26197-00100 Nairobi	

**3. MANAGEMENT TEAM**

1. Charles Wamai 	<u>General Manager</u> key Profession/Academic Qualifications: Higher Diploma Water Engineering.
2. Julieta Karimi 	<u>Technical department</u> key Profession/Academic Qualifications: Dip (Water Technology)
3. Jacinta Ndegwa 	<u>Finance department</u> key Profession/Academic Qualifications: Dip in Accounts
4. Daniel Murimi 	<u>Human resource department</u> Key Profession/Academic Qualifications: (Dip Human Resource Management). Served the company as acting general manager from 15 <sup>th</sup> march 2019 up to 9 <sup>th</sup> July 2019
5. Banc Nyakio 	<u>Finance department</u> key Profession/Academic Qualifications: CPA K, BsCh

Kenya Corporation (Indicate actual name of the entity)

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For the year ended June 30, 2020

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#### 4. CHAIRMAN'S STATEMENT

It gives me great pleasure to present the 2019-2020 annual report and financial statements for Kyeni Water and Sewerage Company Ltd. During the year under review, we continued to make great strides in our service provision agreement area in our focal role of enhancing water provision services.

##### Financial performance.

The financial year 2019-2020 under review was a challenging one for the company. The gross water income was kshs 10 million compared to kshs 11 million in 2018-2019 with about 1 million decrease. This is attributed to covid- 19 pandemic which prevailed during the period.

However, even with this challenge the company was able to recruit the board, proper management of the water supply and general performance of the company enhanced. We are optimistic that the coming year 2020-2021 the company will perform better.

##### Appreciation.

We continue to enjoy the support and good will inter alia of our client, the County Government, suppliers, other services providers, regulatory authority and board. I wish to record our appreciation to them all and note that we highly value these relationships. I also wish to thank and congratulate the management of the company for the loyalty, dedication and tireless efforts that have made the year a success.

Finally, to my fellow board members, thank you for your commitment, support and considered advice that is so essential in this extremely noble service.

ERASMUS KITHINJI M.  
CHAIRMAN (B.O.D)

  
SIGN

16/02/21  
DATE

**Kenya Corporation** *(Indicate actual name of the entity)*

**Annual Reports and Financial Statements  
For the year ended June 30, 2020**

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**5. REPORT OF THE CHIEF EXECUTIVE OFFICER**

It is my pleasure to report on another successful year. In 2019-2020 Kyeni Water and Sewerage Company Ltd has again registered a water sales income of KShs 10 million down from KShs 11 million in 2018-2019. The decrease is due to various challenges the company went through during the period such as COVID-19 pandemic.

**Customer service**

Our business motto is "to exceed our customers' expectations". This has seen our delivery of service to be no longer giving our clients promises, but deliver the promises. We keep our promise at the hour of reckoning, when a customer makes a complaint. We endeavour to keep abreast with the ever-changing times. We work closely with our clients. To support them and our staff, we hold regular trainings to share our thoughts and make them understand our services.

**Branch Network**

Our branch network continues to grow in line with our business model and we aim to align ourselves with the county government policy and ensure full representation. Branches are opened after a thorough feasibility study is conducted. Our growing network currently consists of two branches. These branches are managed by dynamic persons who are always available to provide solutions to the needs of our clients.

**Customer Base**

Customer base of 10,314 connections spread over an area of 192.8 km<sup>2</sup> with a population base of 80,466. A population of 52,628 is for now adequately served by the reticulation system in place stretching a distance of 350 km of pipeline in form of assorted pipe sizes ranging from 25mm diameter to 250 mm diameter.

**Information Technology**

We can only accord superior services when our processes are efficient and effective. The need for a robust and pragmatic information technology platform was identified after a thorough review of the processes. The company has commenced implementation of a new integrated billing software that is web based, hence transforming the way we do business. Once implemented, the system will offer us with a competitive advantage and above all ensure that we are able to offer a superior customer service.

**Staffing**

Our staffs are the greatest resource and we have an exciting mix of skills in various disciplines blended with wealth of experiences. The average age of our employees is approximately thirty-five years. They are enthusiastic to make certain that we are always in the front. These employees are always ready to roll up their sleeves whenever required to perform specific tasks to ensure that customers' needs are met and our goals achieved.

**Conclusion**

Kyeni Water has continued to be the front runner and this can only be attributed to the commitment and diligence by the board and management staff who have worked tirelessly to satisfy our clients, and all stakeholders. I register my appreciation to the support which has made 2019 - 2020 Financial year a momentous year for all of us.

We hope that in 2020 - 2021 Financial year we will offer even better services.

Kenya Corporation (Indicate actual name of the entity)

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For the year ended June 30, 2020

General Manager.

Sign

Date

**6. REVIEW OF KYEWASCO CORPORATION 'S PERFORMACE FOR FY 2019/2020**

Two-to-three pages

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

XXX has X strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

Pillar 1:

Pillar 2:

XXX develops its annual work plans based on the above X pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The XXX achieved its performance targets set for the FY 2019/2020 period for its xx strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1:				

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

**7. CORPORATE GOVERNANCE STATEMENT**

Good corporate governance is key to the integrity of water sector institutions and markets and is central to the health of our economics and their stability. Corporate governance plays a leading role in making it certain how corporations and their boards and management are directed, controlled and held to account. Corporate governance therefore encompasses the systems, practices and procedures by which the individual corporation regulates itself in order to remain competitive, ethical, sustainable and fair.

**THE BOARD OF KYEWASCO** limited follows, principles of openness, integrity and accountability in its stewardship of the company's affairs. It recognizes the developing nature of corporate governance and assesses the company's compliance with generally accepted corporate governance practice on a regular basis, directly and through its board committees and management. The role of the board is to ensure compliance by focusing on and providing the company's overall strategic direction and policy –making as well as performance review through accountability and ensuring appropriate monitoring and supervision. The board is also responsible for the overall system of internal control and for the reviewing its effectiveness. The controls are designed to both safeguard the company's assets and ensure the reliability of financial information.

A management team, comprising the general manager and senior staff meets regularly to consider issues of operational and strategic importance to the company. Here below are the key features of the existing corporate governance practices within KYENI WATER AND SEWERAGE COMPANY LIMITED which are reviewed and improved on a regular basis: -

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**For the year ended June 30, 2020**

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**1. Board of Directors**

The board of directors consists of seven non-executive directors representing various stakeholders' groups and two others seconded by the county government. The chairman of the board is a non-executive director and the board meets formally at least four times a year. During the year 2019-2020 the Board conducted seven (7) meeting: - four full board and three committee meetings.

The board is responsible for setting the direction of the company through the establishment of strategic objectives, key policies and approval of budgets. It monitors the implementation of strategies and policies through a structured approach to reporting by management and consequent accountability.

The directors are actively involved and bring strong independent judgment on board deliberations and discussions. The directors have a wide range of knowledge and experience of social economic activities which are applied to the formulation of strategic objectives and decision making.

The board meets regularly and retains full and effective control over the company in all strategic, financial, operational and compliance areas. To assist the board in the discharge of its responsibilities, board committees have been established. All the board committees meet at least four times a year. The committees are as follows: -

**a) Audit Committee**

The audit committee comprises of three non-executive directors and a senior manager. The committee is responsible for inter alia, developing and advising an audit and financial controls and compliance issues of the company. It also defines the scope of the internal audit function and acts as a liaison between the external auditors and management.

**b) Finance, HR, And Technical Committee**

The finance, HR and technical committee comprises of three non-executive directors and the general manager. The committee provides guidance to the board on finance and technical requirements for the company.

**2. Internal Controls**

The company has implemented and maintained internal controls designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard and maintain accountability of the company's' assets. Such controls are based on established policies and procedures and are implemented by trained personnel with appropriate segregation of duties. The effectiveness of the system of internal controls is monitored regularly through operational meetings and the annual external audit.

**3. Related Party Transactions and Directors Remuneration.**

The remuneration for directors consists of sitting allowances for their services in connection with the Board and committee meetings.

The aggregate amount of director's remuneration for services rendered during the year ending 30<sup>th</sup> June 2020 are contained under note 17 of these annual report and financial statements. The company

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**For the year ended June 30, 2020**

is fully governed by the WASREB corporate guide lines which stipulates the way of appointed and removal of directors, induction and training of the board. Also, in the model memorandum and articles of association by WASREB the succession plan of directors is clearly articulated.

**4. Going Concern**

The directors confirm that the company has adequate resources to continue in business for the feasible future and therefore the continued use of going concern as a basis of preparing the financial statements.

Erasmus kithinji Muthenya



16/02/21

**Chairman**

**Sign**

**Date**

Charles Wamai



16/2/2021

**Ag. General Manager**

**Sign**

**Date**

## 8. MANAGEMENT DISCUSSION AND ANALYSIS

The company management is composed of a lean team of four members as shown in page v. The General Manager takes the responsibility of overseeing smooth operation of activities through effective and timely communication, coordination, control and offering leadership. The other officers in the management team heads and are responsible for various sections/department in the company. During the period under review, KYEWASCO has operated under difficult conditions mainly due to the following factors

- a) Disruption of mains due to ongoing/completed road constructions and rehabilitations
- b) Billing Issues
- c) Covid – 19 pandemics

### a) Disruption of Mains Due to Ongoing Road Constructions

Since last year, road maintenance and construction activities have been on the rise being supported by both national and county governments. During implementation of these activities our lines (Main and sub-branches) were sometimes destroyed making the company incur extra costs in replacing them. On the other hand, when repairs are not undertaken immediately, there was loss of revenue due to supply disruption.

### b) Billing Issues

Billing issues started in November 2016 when a section of consumers from Kyeni North location started complaining about high billing through metering among other issues. The complaints were in comparison to other community-based water suppliers adjacent to our area of operation; their water is not metered and their monthly charge is on average of Kshs 250/=. The matter culminated with a public baraza at Mufu market on 27<sup>th</sup> December 2017 and subsequent public meetings addressed Kyeni MCA. The governor His Excellency Martin Wambora issued a directive that the consumers should pay a flat rate of Ksh 200/= and their account arrears to be lifted. This created confusion significantly affecting the company's revenue collection.

### c) Covid -19 pandemics

Since March 2020 the ministry issued advisories to all water service providers not to disconnect services in case of unpaid bills. This has made the company unable to collect substantial revenue to sustain the operations.

## 9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

1. The company upholds its core values which enshrine ethical business practices, compliance with regulatory and other legal requirements and respect for humanity, communities and the environment. The company's Corporate Social Responsibility (CSR) hinges on two key pillars, employees and welfare programmes.

**Kenya Corporation** (*Indicate actual name of the entity*)

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**For the year ended June 30, 2020**

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2. During the year, our employees have become an important part of this noble objective. The employees are the backbone of our success.
3. Therefore, we have unrelentingly ensured that they have a favourable work environment.
4. Training and development of staff has continued to be an important part of our business. All staff are encouraged to attend internal and external training sessions in order to upgrade themselves technically and professionally. The internship placement programmes has continued with several students working as interns in various departments. Those students are drawn from various colleges.

**5. Sustainability strategy and profile -**

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

**6. Environmental performance**

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

**7. Employee welfare**

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

**8. Market place practices-**

*The organisation should outline its efforts to:*

*a) Responsible competition practice.*

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

*b) Responsible Supply chain and supplier relations- explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.*

*c) Responsible marketing and advertisement-outline efforts to maintain ethical marketing practices*

*d) Product stewardship- outline efforts to safeguard consumer rights and interests*

**9. Community Engagements-**

*Give evidence of community engagement including charitable giving (cash & material), Community Social Investment and any other forms of community*

*(The organisation gives details of CSR activities carried out in the year and the impact to the society. The statement may also include how the organisation promotes education, sports, healthcare, labour relations, staff training and development, and water and sanitation initiatives)*

**Kenya Corporation** *(Indicate actual name of the entity)*

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**For the year ended June 30, 2020**

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**10. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the KYEWASCO affairs.

**Principal activities**

The principal activities of the company are the provision of water and sanitation services within the service provision agreement (SPA) area.

**Results**

The results of the entity for the year ended June 30, 2020 are set out on page one to six. Below is summary of the profit or loss made during the year.

**Dividends**

Subject to the approval of the shareholders, the Directors do not recommend payment of any dividend.

**Directors**

The members of the Board of Directors who served during the year are shown on page iii, v and vi.

**Auditors**

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

By Order of the Board

Wangoko and Company Advocates  
Corporate Secretary  
Nairobi.

\_\_\_\_\_  
Sign

\_\_\_\_\_  
Date

**Kenya Corporation** (Indicate actual name of the entity)

**Annual Reports and Financial Statements**

**For the year ended June 30, 2020**

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## 11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the *entity's* financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *entity*; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *entity*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) – *entities should quote applicable legislation as indicated under* ). The Directors are of the opinion that the *entity's* financial statements give a true and fair view of the state of *entity's* transactions during the financial year ended June 30, 2020, and of the *entity's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the *entity's* financial statements as well as the adequacy of the systems of internal financial control.

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

### Approval of the financial statements

The company financial statements were approved by the Board on 26/1/2021 2020 and signed on its behalf by:

Erasmus Kithinji Muthenya

Charles Wamai



16/02/21



16/2/2021

Chairman of the Board

Date

Ag. General Manager

Date

Kenya Corporation *(Indicate actual name of the entity)*

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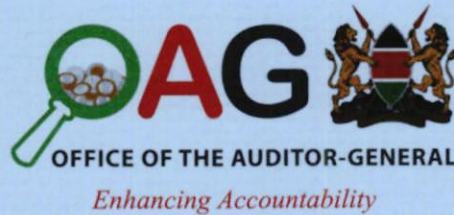
For the year ended June 30, 2020

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**12. REPORT OF THE INDEPENDENT AUDITORS OF KYENI WATER AND  
SEWERAGE COMPANY LTD.**

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KYENI WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Disclaimer of Opinion**

I have audited the accompanying financial statements of Kyeni Water and Sewerage Company Limited set out on pages 1 to 62, which comprise the statement of financial position as at 30 June, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity, 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### **Basis for Disclaimer of Opinion**

Several balances reflected in the financial statements have not been supported with adequate and sufficient records or information, as explained in the following paragraphs:

##### **1.0 Bank and Cash Balances**

The statement of financial position reflects a cash and cash equivalents balance totalling Kshs.6,262,271 as at 30 June, 2020, as further disclosed in Note 30 to the financial statements. However, the respective cash books, bank reconciliation statements, bank statements and certificates were not provided for audit review.

In the circumstance, the accuracy of the cash and cash equivalents balance totalling Kshs.6,262,271 as at 30 June, 2020 could not be confirmed.

##### **2.0 Statement of Cash Flows**

The statement of cash flows for the year ended 30 June, 2020 reflects nil cash and cash equivalents balance at the end of the year. However, Note 30 to the financial statements for the year under review reflects Kshs.6,262,271 in respect to bank and cash balance as at 30 June, 2020. Further, the statement is not complete as it contains nil balances and

denotes "XXX" against various items for the year under review and comparative balances. The meaning source, and relevance of the marks is unclear.

As a result, the accuracy, completeness and validity of the statement of cash flows for the year ended 30 June, 2020 could not be confirmed.

## 2.0 Unbalanced Statement of Financial Position

The statement of financial position as at 30 June, 2020 reflects total assets amounting to Kshs.31,340,268. However, the statement reflects Kshs.35,108,179 in respect to total equity and liabilities resulting to an unexplained variance of Kshs.3,767,911 contrary to expectation that the aggregate book value of an entity's assets shall be equal to its total equity and liabilities.

In addition, the statement reflects Kshs.8,410,395 in respect to customer deposits which are referenced to Note 41 to the financial statements. However, the actual Note 41 relates to dividends payable and reflects a nil balance.

Further, the statement reflects Kshs.14,914,276 in respect to total current liabilities. However, a recast of the items included in the balance yielded Kshs.14,814,276 resulting to an unexplained variance of Kshs.100,000.

In the circumstance, the accuracy, completeness and validity of the cited balances reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

## 3.0 Accuracy of the Financial Statements

### 3.1 Variance Between the Trial Balance and Financial Statement Balances

Review of the trial balance revealed balances for two (2) items at variance with the balance reflected in the statement of financial performance as follows:

Items	Note	Balance as Per Trial Balance (Kshs.)	Balance as Per Statement of Financial Performance (Kshs.)	Variances (Kshs.)
Auditor's Remuneration	12(a)	0	126,500	126,500
Insurance Costs	12(a)	0	52,736	52,736
<b>Total</b>		<b>0</b>	<b>179,236</b>	<b>179,236</b>

As a result, the accuracy and completeness of the auditor's remuneration and insurance costs balances reflected in the statement of financial performance and other comprehensive income could not be confirmed.

### 3.2 Variances Between Balances in the Financial Statements and Notes to the Financial Statements

Review of the financial statements revealed balances on four (4) accounts that were at variance with the balances reflected in the respective Notes to the financial statements, as detailed below:

Components	Note	Balances in the Financial Statement (Kshs.)	Balances in Note to the Financial Statements (Kshs.)	Variance (Kshs.)
Other Income	10	261,413	259,273	2,140
Trade and Other Receivables	27(a)	19,696,359	17,726,723	1,969,636
Trade and Other Payables	38	6,403,881	8,668,631	(2,264,750)
Taxation Paid	28	(1,300,000)	0	(1,300,000)
<b>Total</b>		<b>25,061,653</b>	<b>26,654,627</b>	<b>(1,592,974)</b>

### 3.3 Variances Between Financial Statements and Ledger Balances

Examination of the financial statements further indicated balances for three (3) accounts that were at variance with the respective ledger balances as follows:

Components	Notes	Balance in the Financial Statement (Kshs.)	Balance as in the Ledger (Kshs.)	Variance (Kshs.)
Advertising, Printing, Stationery and Photocopying	12(a)	58,464	200,937	(142,473)
Trade and Other Receivables	27(a)	19,696,359	20,228,501	(532,142)
Trade and Other Payables	38	6,403,881	8,668,631	(2,264,750)
<b>Total</b>		<b>26,158,704</b>	<b>29,098,069</b>	<b>(2,939,365)</b>

### 3.4 Variances Between Comparative Balances and the Prior Year Audited Balances

The financial statements reflect comparative balances for eight (8) accounts that differ with those reflected in respect to the accounts, as indicated in the **Appendix I** to this report.

In the circumstance, the accuracy and completeness of the financial statements for the year under review could not be confirmed.

### 3.5 Variance Between Balances in the Statement of Comparison of Budget and Actual Amounts and Statement of Profit or Loss and Other Comprehensive Income

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects balances for six (6) accounts which do not tally with the amounts reflected in the statement of profit or loss and other comprehensive income for the accounts as detailed in the following table:

Components	Balance in the Statement of Comparison of Budget and Actual Amounts (Kshs.)	Balance in Statement of Profit or Loss and Other Comprehensive Income (Kshs.)	Variance (Kshs.)
Sale of Goods	10,938,100	10,938,600	(500)
Total Income	12,622,293	10,623,406	1,998,887
Taxation Paid	1,300,000	0	1,300,000
Grants and Subsidies Paid	1,422,280	0	1,422,280
Total Expenses	XXX	13,839,648	Unknown
Surplus for the Year	(3,718,505)	(3,216,242)	(502,263)

In addition, a recast of items included in balances for three (3) components in the statement of comparison of budget and actual amount revealed the following variances:

Components	Amount in the Statement of Comparison of Budget and Actual Amounts (Kshs.)	Recast Amount (Kshs.)	Variance (Kshs.)
Total Income	12,622,293	12,621,793	500
Total Expenditure	0	3,084,168	(3,084,168)
Surplus for the year	(3,718,505)	9,537,625	(13,256,130)

In the view of these anomalies, the accuracy and completeness of the statement of comparison of budget and actual amounts for the year ended 30 June, 2020 could not be confirmed.

### 4.0 Discrepancies in Presentation of Financial Statements

The financial statements for the year under review contains various discrepancies that contradict International Financial Reporting Standards (IFRS) and the format prescribed by the Public Sector Accounting Standards Board (PSASB), as indicated in **Appendix II** to this report.

In view of these anomalies, the accuracy and validity of the balances cited could not be confirmed.

## 5.0 Other income

The statement of profit or loss and other comprehensive income for the year under review reflects Kshs.261,413 in respect to other income. However, supporting documents including ledgers were not provided for audit verification.

In the circumstance, the accuracy and validity of the other income balance totalling Kshs.261,413 for the year ended 30 June, 2020 could not be confirmed.

## 6.0 Sale of Water

The statement of profit or loss or and other comprehensive income reflects revenue for the year under review totalling Kshs.10,938,600 as further reflected in Note 6 to the financial statements. The following anomalies were noted in respect to the balance:

### 6.1 Unexplained Water Billing Methods

Records on the water sales indicated that sales totalling Kshs.2,539,600 were made from sales priced at an average rate of Kshs.250 per cubic meter. However, records on the sales, including the basis for the rates charged, were not provided for audit.

As a result, the completeness and accuracy of the Kshs.2,539,600 revenues for the year ended 30 June, 2020 could not be established.

### 6.2 Un-metered (Flat Rate) Water Billing

Similarly, the water sales records reflected unmetered sales totalling Kshs.3,501,250 sold at a flat rate of Kshs.200. However, supporting documents including the list of unmetered connections, assessment of the average consumption and basis for the rate charged was not provided for audit review.

In view of these omissions, the accuracy, completeness and validity of the water sales balance totalling Kshs.10,938,600 could not be established.

## 7.0 Administration Costs

### 7.1 Unsupported Administration Costs

The statement of profit or loss and other comprehensive income reflects administration costs totalling Kshs.13,041,911 as further disclosed in Note 12 to the financial statements. The balance includes Kshs.1,078,300 spent on three items whose supporting documents, including ledgers and payment vouchers, were not provided for audit review as shown in the following table:

Items	Amounts in the Financial Statements (Kshs.)	Unsupported Amount (Kshs.)
Transportation, Travelling and Subsistence	759,830	323,040
Communication Service and Support	321,870	321,870
Transport (Fuel, Oil and Maintenance of Motors)	433,390	433,390
<b>Total</b>	<b>1,515,090</b>	<b>1,078,300</b>

*Report of the Auditor-General on Kyeni Water and Sewerage Company Limited for the year ended 30 June, 2020*

As a result, the occurrence and measurement of the balances totalling Kshs.1,078,300 could not be confirmed.

## **7.2 Director's Emoluments**

The administration expenses balance totalling Kshs.13,041,910 include Kshs.807,193 in Director's emoluments which further includes Kshs.240,471 paid as sitting allowances for various Board meetings held during the year under review. However, the minutes for the meetings were not provided for audit review. Further, Note 15 to the financial statements reflects Kshs.3,325,455 in respect to directors' emoluments. However, records on the expenditure were not provided for audit review.

Consequently, the validity and value for money on the expenditures amounting to Kshs.240,471 and Kshs.3,325,455 incurred on the Board, or Kshs.3,565,926 in total, could not be confirmed.

## **8.0 Trade and Other Receivables**

The statement of financial position reflects net trade and other receivables totalling Kshs.19,696,359 as further reflected in Note 27(a) to the financial statements. However, no supporting documents, including ledgers and debtors ageing analysis, were provided for audit verification.

As a result, the accuracy, valuation and completeness of the receivables totalling Kshs.19,696,359 as at 30 June, 2020 could not be confirmed.

## **9.0 Provision for Bad and Doubtful Receivables**

In addition Note 27(a) to the financial statements reflects net trade and other receivables which include Kshs.1,969,636 in respect to provision for bad and doubtful receivables on trade and other receivables. However, records showing how the provision was arrived were not provided for audit and as a result, its accuracy, valuation and completeness could not be confirmed.

## **10.0 Trade and Other Payables**

The statement of financial position reflects trade and other payables from exchange transactions totalling Kshs.8,668,631, as further reflected in Note 38 to the financial statements. However, records on payables totalling Kshs.8,542,131 were not provided for audit review.

As a result, the accuracy and validity of the trade and other payables totalling Kshs.8,668,631 as at 30 June, 2020 could not be confirmed.

## **11.0 Internal Borrowing from Customer Deposits**

Note 35 to the financial statements reflects borrowings totalling Kshs.2,264,750. As reported previously, information provided by Management indicated that the monies were withdrawn in April, 2016 from the customer deposits account. However, no policy document indicating authority for use of customer deposits in funding operations was

provided for audit review. Further, the balance is not reflected in the statement of financial statements which depicts a blank space against the item.

Consequently, the spending may have been done irregularly.

### **12.0 Property, Plant and Equipment**

Note 19 to the financial statements reflects Kshs.5,381,638 in respect of property, plant and equipment. However, the respective asset registers and ownership documents were not provided for audit verification.

As a result, the accuracy, completeness and ownership of the property, plant and equipment balance totalling Kshs.5,381,638 as at 30 June, 2020 could not be confirmed.

### **13.0 Lack of Audit Committee**

Review of internal control system indicated that the Company had not established an Audit Committee contrary to Section 167(1) of the Public Finance Management (County Government) Regulations, 2015 which requires each County Government entity to establish an Audit Committee.

Further, the Company did not have an internal audit function contrary to Regulation 153(1) of the Public Finance Management (County Governments) Regulations, 2015. The Regulation requires each public entity to have an internal audit function that reviews budgetary performance, financial management, transparency and accountability mechanisms and processes in County Government entities.

In the circumstance, the internal control system is not properly established to support effective use of the public resources at the Company's disposal.

### **14.0 Non-Revenue Water**

The Company reported water sales totalling Kshs.10,938,600 in the year under review, as indicated in Note 6 to the financial statements. Documents provided for audit indicated that the Company produced 1,039,740 cubic meters (m<sup>3</sup>) of water in the year but only 521,008 cubic meters were billed to customers. The balance totaling 518,732 cubic meters or approximately 50% of the total water produced, was designated as Non-Revenue Water (NRW). The NRW exceeded by twenty-five percentage points allowable loss of 25% in guidelines issued by the Water Service Regulatory Board (WASREB).

The value of the NRW amounted to Kshs.10,880,185 at the sale price rate Kshs.20.99 per cubic meter(m<sup>3</sup>) applied by the Company in the year under review. Therefore, the loss was a major contributor to the unsatisfactory performance recorded by the Company and poses a significant threat to sustainability of its operations. Management has not indicated the actions taken to control the NRW.

## 15.0 Lack of Information Technology (IT) Policy

As similarly reported in the previous year, the Company did not have policy documents on Information Communication Technology (ICT).

In the absence of the policy, the Company's investment and use of ICT may not be effective.

## 16.0 Financial Performance

The statement of profit or loss and other comprehensive income reflects Kshs.10,623,406 and Kshs.13,839,648 in respect to total income and total expenditure respectively resulting in a an operating loss of Kshs.3,216,242 or 30% of total income for the year ended 30 June, 2020.

The unsatisfactory performance resulted in the Company's retained accumulated reserves decreasing from Kshs.1,808,401 as at 30 June, 2019 to a negative (debit) balance of Kshs.1,407,841 as at 30 June, 2020. Management has not disclosed the measures, if any, taken to reverse the loss-making trend and put the Company back on the path to profitability.

### Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements There were no key audit matters to report in the year under review.

### Other Matter

#### 1.0 Budgetary Control and Performance

##### 1.1 Revenue

The statement of comparison of budget and actual amounts for the year under review reflects budgeted and actual revenues totalling Kshs.26,794,384 and Kshs.12,622,293 respectively resulting in net under-collection of Kshs.14,172,091 or 47% of the budget. The underperformance mainly resulted from a shortfall of Kshs.15,855,784 on one (1) item and an over- collection of Kshs.1,683,693 on two items as shown in the following table:

Item/Component	Budget (Kshs.)	Actual Revenue (Kshs.)	Performance Difference		Percentage (%)
			Under ( Kshs.)	Over (Kshs.)	
Sale of Goods	26,794,384	10,938,100	15,855,784	0	59
Transfer from Government	0	1,422,280	0	(1,422,280)	
Other Income	0	261,413	0	(261,413)	
<b>Total</b>	<b>26,794,384</b>	<b>12,622,293</b>	<b>15,855,784</b>	<b>1,683,693</b>	

## **1.2 Expenditure**

The statement of comparison of budget and actual amounts reflects a budgeted expenditure of Kshs.26,794,384. However, a recast of the items included in the balance yields Kshs.72,000 resulting to an unexplained variance of Kshs.26,722,384. In addition, the statement reflects 'XXX" against total expenditure for the year under review whereas a recast of the items of expenditure yields Kshs.3,084,168. Further the statement reflects a deficit of Kshs.3,718,505 whose source could not be established.

In view of these discrepancies, the accuracy and completeness of the balances reflected in the statement of comparison of budget and actual amounts for year ended 30 June, 2020 could not be confirmed.

## **2.0 Prior Year Issues**

The audit report for the previous year highlighted several issues related to balances reflected in the financial statements, lawfulness and effectiveness in use of resources and effectiveness of internal control, risk management and governance. Progress attained by Management in resolving the issues shall be confirmed after they are discussed by the Legislature.

## **Other Information**

The Directors are responsible for the other information. The other information comprises the report of Directors as required by the Companies Act, 2015, and the statement of the Directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

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

In connection with the audit of the 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 the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Conclusion of Internal Controls, Risk Management and Governance section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

### **Responsibilities of Management and Board of Directors**

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the Accrual Basis of accounting unless Management is aware of the intention to liquidate the Company or 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 are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how the Company 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 in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my

report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk Management and Governance sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of Kyeni Water and Sewerage Company Limited in accordance with ISSAI 130 on 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.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

11 February, 2022

## Appendix I

### Variations Between Comparative Balances and the Prior Year Audited Balances

<b>Components</b>	<b>Comparative 2018/2019 Balance in 2019/2020 Financial Statements (Kshs.)</b>	<b>Balance in 2018/2019 Audited Financial Statements (Kshs.)</b>	<b>Variance (Kshs.)</b>
Cash Generated from/(used in) Operations	0	289,655	(289,655)
Taxation Paid	(1,100,000)	0	(1,100,000)
Net Cash Generated from/(used in) Operating Activities	0	289,655	(289,655)
Increase/(Decrease) in Cash and Cash Equivalents	0	289,655	(289,655)
Cash and Cash Equivalents at the beginning of the year	0	5,346,069	(5,346,069)
Cash and Cash Equivalents at the End of the Year	0	5,727,059	(5,727,059)
Key Management Compensation - Note 43 (d) Page 50	585,794	0	(585,794)
Capital Risk Management - Note 45(iv) Page 58	21,245,395	22,164,142	(918,747)
<b>Total</b>	<b>20,731,189</b>	<b>34,106,235</b>	<b>(13,375,046)</b>

## Appendix II

### Discrepancies in Presentation of Financial Statements

Page	Item	Anomalies
vi	Board of Directors	<ul style="list-style-type: none"> <li>• The report does not indicate whether the Company Secretary is a member of the Institute of Certified Public Secretaries of Kenya (CPSK) as required under Mwongozo Code.</li> <li>• The Company Secretary and Embu County Government representative's names, portraits, key professional and academic qualifications and their respective areas of responsibility have not been stated.</li> </ul>
Viii	Report of the Chief Executive Officer	<ul style="list-style-type: none"> <li>• The report is not signed by the Chief Executive Officer.</li> </ul>
ix	Review of Kyewasco Corporation's Performance for Financial year 2019/2020	<ul style="list-style-type: none"> <li>• There is no information on the review of their performance for the period 2019-2020 contrary to the reporting template and Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012</li> <li>• The statement refers to Section 81 of the Public Finance Management Act, 2012, which is legislation for National Government Entities, instead of referring to Section 164 of the Act, since the Company is a County Government entity.</li> </ul>
ix	Corporate Governance Statement	<ul style="list-style-type: none"> <li>• Section 3 at Page X of the statement refers to Note 17 to the financial statements for details on remuneration of the Board instead of Note 12(a) to the statements.</li> </ul>
xii	Management Discussion and Analysis	<ul style="list-style-type: none"> <li>• Indicates that Management is composed of a team of 4(four) members as denoted in Page V instead of 5 (five) members as shown in Page IV.</li> </ul>
xii	Corporate Social Responsibility Statement on Sustainability Reporting	<ul style="list-style-type: none"> <li>• The statement does not adhere to the prescribed template which requires it to provide brief highlights on the entity's achievements in the following areas:               <ol style="list-style-type: none"> <li>i. Sustainability Strategy and Profile</li> <li>ii. Environmental Performance</li> <li>iii. Employee Welfare</li> <li>iv. Market Place Practices</li> <li>v. Community Engagements</li> </ol> </li> </ul>

Page	Item	Anomalies
xiv	Report of The Directors	<ul style="list-style-type: none"> <li>The report is not signed by the Corporate Secretary.</li> </ul>
xv	Statement of Directors' Responsibilities	<ul style="list-style-type: none"> <li>The statement refers to Section 81 of the Public Finance Management Act, 2012, which is legislation for National Government Entities, instead of referring to Section 164 of the Act, because it is a County Government entity.</li> </ul>
iii to xvi and 3 to 62	Headers to the financial statement	<ul style="list-style-type: none"> <li>The headers do not indicate the actual name of the entity.</li> </ul>
Various pages	Financial statements	<ul style="list-style-type: none"> <li>Various statements at pages x,5,6,8,18,19,27,28,29,35,37,38 41,47,52,53,54,55,56,57,61 and 62 contain the generic marks 'xxx' not customized to reflect information relevant to the entity.</li> </ul>
2	Statement of financial position	<ul style="list-style-type: none"> <li>The Head of Finance has not signed and indicated his Institute of Certified Public Accountant of Kenya (ICPAK) membership number.</li> </ul>
3	Statement of Changes in Equity	<ul style="list-style-type: none"> <li>The totals column is truncated and therefore the balances reflected therein are not visible.</li> </ul>
6	Statement of Comparison of Budget and Actual Amounts	<ul style="list-style-type: none"> <li>The statement indicates "for the period ended" instead of "for the year ended"</li> </ul>

**13. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2019-2020	2018-2019
		Kshs	Kshs
<b>REVENUES</b>			
Revenue	6	10,938,600	11,981,100
Cost of sales	7	(1,998,887)	(2,894,004)
Gross profit		8,939,713	9,087,096
Grants from the National Government	8	1,422,280	1,422,280
Interest income	9	0	0
Other Income	10	261,413	251,469
Other gains/(losses)	11	0	0
<b>TOTAL REVENUES</b>		<b>10,623,406</b>	<b>10,760,845</b>
<b>OPERATING EXPENSES</b>			
Administration Costs	12	13,041,910.6	12,780,266
Selling and Distribution Costs	13	797,737	919,988
Finance Costs	14	0	0
<b>TOTAL OPERATING EXPENSES</b>	<b>15</b>	<b>13,839,648</b>	<b>13,700,254</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>(3,216,242)</b>	<b>(2,939,409)</b>
<b>INCOME TAX EXPENSE/(CREDIT)</b>	<b>16</b>	<b>0</b>	<b>0</b>
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>(3,216,242)</b>	<b>(2,939,409)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Fair value through comprehensive income		0	0
Surplus or deficit on revaluation of PPE		0	0
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(3,216,242)</b>	<b>(2,939,409)</b>
Earnings per share – basic and diluted	17	0	0
Dividend per share	18	0	0

**Kyeni Water and Sewerage Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2020**

**14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Note	2020 Kshs	2019 Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	19	5,381,638	6,171,876
Intangible assets	20	0	0
Investment property	21	0	0
Right-of-use assets	22	0	0
Fixed interest investments (bonds)	23	0	0
Quoted investments	24	0	0
Unquoted investments	25	0	0
Staff receivables due after one year	27(c)	0	0
<b>Total Non-Current Assets</b>		<b>5,381,638</b>	<b>6,171,876</b>
<b>Current Assets</b>			
Inventories	26	0	0
Trade and other receivables	27(a)	19,696,359	22,561,956
Tax recoverable	28	0	0
Short-term deposits	29	0	0
Bank and cash balances	30	6,262,271	5,727,059
<b>Total Non-Current Assets</b>		<b>31,340,268</b>	<b>34,460,891</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	31	0	0
Revaluation reserve	32	19,436,994	19,436,994
Fair value adjustment reserve	33	0	0
Retained earnings	34	(1,407,841)	1,808,401
Proposed dividends		0	0
<b>Capital and Reserves</b>		<b>18,029,153</b>	<b>21,245,395</b>
<b>Non-Current Liabilities</b>			
Borrowings	35	2,264,750	0
Deferred tax liability	36	0	0
Lease liabilities	37	0	0
<b>Total Non-Current Liabilities</b>		<b>2,264,750</b>	<b>0</b>
<b>Current Liabilities</b>			
Borrowings	35		
Trade and other payables	38	6,403,881	5,242,266
Retirement benefit obligations	39	0	0
Provision for leave pay	40	0	0
Customer deposits	41	8,410,395	7,879,895
<b>Total Current Liabilities</b>		<b>14,914,276</b>	<b>13,122,161</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>35,108,179</b>	<b>34,367,556</b>

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


General Manager  
 Name: Charles Wamai

Head of Finance  
 Name: \_\_\_\_\_

Chairman of the Board  
 Name: Erasmus Kithinji

Sign   
 Date 16/02/2021

ICPAK Member No: \_\_\_\_\_  
 Sign \_\_\_\_\_  
 Date \_\_\_\_\_

Sign   
 Date 16/02/21

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**15. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020**

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital Development Grants Fund
<b>At July 1, 2018</b>	0	19,427,494	0	4,747,810	0	24,175,2
Revaluation gain	-	9,500	-	-	-	9,5
Transfer of excess depreciation on revaluation	-	(0)	-	0	-	-
Deferred tax on excess depreciation	-	0	-	-	-	-
Fair value adjustment on quoted investments	-	-	0	-	-	-
Total comprehensive income	-	-	-	(2,939,409)	-	(2,939,40
Capital/Development grants received during the year	-	-	-	-	-	0
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	0	-	(0)
Dividends paid – 2018	-	-	-	-	(0)	(0)
Interim dividends paid – 2019	-	-	-	(0)	-	(0)
Proposed final dividends	-	-	-	(0)	0	0
<b>At June 30, 2019</b>	0	19,436,994	0	1,808,401	0	21,245,3
<b>At July 1, 2019</b>	0	19,436,994	0	1,808,401	0	21,245,3
Issue of new share capital	0	0	0	0	0	0
Revaluation gain	-	0	-	-	-	-
Transfer of excess depreciation on revaluation	-	(0)	-	0	-	-
Deferred tax on excess depreciation	-	0	-	-	-	-
Fair value adjustment on quoted investments	-	-	0	-	-	-
Total comprehensive income	-	-	-	3,216,242	-	-
Capital/Development grants received during the	-	-	-	-	-	0

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	Capital Development Fund	Proposed Dividends	Retained earnings	Fair value adjustment reserve	Reserve	Share capital	At June 30, 2020
year							
Transfer of depreciation/amortisation from capital fund to retained earnings	(0)	-	0	-	-	-	
Dividends paid – 2019	(xxx)	(xxx)	-	-	-	-	
Interim dividends paid – 2020	-	-	(0)	-	-	-	
Proposed final dividends	xxx	xxx	(0)	-	-	-	
<b>At June 30, 2020</b>	<b>0</b>	<b>0</b>	<b>(1,407,841)</b>	<b>0</b>	<b>19,436,994</b>	<b>0</b>	<b>18,029,1</b>

Note:

- For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
- Prior year adjustment should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done.

Kenya Corporation (Indicate actual name of the entity)

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16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020 Kshs	2018-2019 Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	42	XXX	XXX
Interest received	42(c)	0	0
Interest paid	42(c)	(0)	(0)
Dividends paid	41	(0)	(0)
Taxation paid	28	(1,300,000)	(1,100,000)
<b>Net cash generated from/(used in) operating activities</b>		<b>XXX</b>	<b>XXX</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	19	(0)	(9,500)
Proceeds from disposal of property, plant and equipment		0	0
Purchase of intangible assets	20	(0)	(0)
Purchase of investment property	21	(0)	(0)
Purchase of quoted investments	25	(0)	(0)
Proceeds from disposal of quoted investments		0	0
<b>Net cash generated from/(used in) investing activities</b>		<b>0</b>	<b>(9,500)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issues of new share capital		0	9,500
Proceeds from borrowings	35	0	0
Repayment of borrowings	35	(0)	(0)
<b>Net cash generated from/(used in) financing activities</b>		<b>0</b>	<b>9,500</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>XXX</b>	<b>XXX</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>XXX</b>	<b>XXX</b>
Effects of foreign exchanges rate fluctuations		XXX	XXX
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	42(b)	<b>XXX</b>	<b>XXX</b>

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For the year ended June 30, 202017. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE  
2020

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2019-2020		2019-2020		2019-2020		2019-2020		2019-2020	
	Kshs		Kshs		Kshs		Kshs		Kshs	
<b>Revenue</b>										
Sale of goods	26,794,384	-	26,794,384		10,938,100	(15,855,784)				
Sale of services	0	(0)	0		0	(XXX)				
Transfers from the Government	0	(0)	0		1,422,280	1,422,280				
Donations in kind										
Finance Income	0	-	0		XXX	XXX				
Other income	0	0	0		261,413	261,413				
<b>Total income</b>	<b>26,794,384</b>	<b>(0)</b>	<b>26,794,384</b>		<b>12,622,293</b>	<b>(14,172,091)</b>				
<b>Expenses</b>										
Compensation of employees	XXX	-	XXX		XXX	(XXX)				
Use of goods and services	XXX	(0)	XXX		XXX	(XXX)				
Finance cost	XXX	(0)	XXX		289,888	(XXX)				
Rent paid	72,000	(0)	72,000		72,000	-				
Taxation paid	XXX	0	XXX		1,300,000	1,300,000				
Other payments	XXX	-	XXX		XXX	(XXX)				
Grants and subsidies paid	XXX	-	XXX		1,422,280	-				
<b>Total expenditure</b>	<b>26,794,384</b>	<b>(0)</b>	<b>26,794,384</b>		<b>XXX</b>	<b>(XXX)</b>				
<b>Surplus for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>(3,718,505)</b>	<b>(3,718,505)</b>				

Note: PFM Act section 81(2) ii and iv requires a National Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available. However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

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

*Kenya Corporation (Indicate actual name of the entity)*

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**18. NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

KYEWASCO is established by and derives its authority and accountability from Companies Act. The company is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is water service provision.

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

**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 Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx.

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

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

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

**i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020**

***IFRS 16: Leases***

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

**Kenya Corporation** *(Indicate actual name of the entity)*

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

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)**

**i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020(Continued)**

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. Based on the Directors' assessment, right of use assets of KSh xxx, lease liabilities of KSh xxx and a deferred tax asset of KSh ... have been recognised with a corresponding decrease of the net amount in retained earnings in these financial statements.

***IFRIC 23: Uncertainty Over income tax treatments***

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

***Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)***

The amendments, applicable to annual periods beginning on or after 1 January 2020, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

***Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)***

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

***Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017.***

The amendments, applicable to annual periods beginning on or after 1st January 2020, provide additional guidance on applying the acquisition method to particular types of business combination.

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

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)**

**i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020(Continued)**

*Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017*

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

*Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017*

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

*Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017*

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

*Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2019)*

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2020, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

#### *Amendments to IAS 1 and IAS 8 Definition of material*

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted

*(The organisation should assess the impact of the above standards and amendments and state the impact of their application on their financial statements based on their specific facts and circumstances and make appropriate disclosures.)*

#### ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

##### *IFRS 17 Insurance Contracts (Issued 18 May 2017)*

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

##### *Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2019- Applicable for annual periods beginning 1 January 2020)*

Together with the revised *Conceptual Framework* published in March 2019, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASB framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2019) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

*The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there*

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*will be a significant impact on the company's financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

#### iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

#### iii) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### a) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the *entity* and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the *entity's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the *entity's* activities as described below.

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

##### b) In-kind contributions

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

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can be reliably determined, the *entity* includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) **Property, plant and equipment**

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

d) **Depreciation and impairment of property, plant and equipment**

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

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

Buildings and civil works	25 years or the unexpired lease period
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	12.5 years

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

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

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) Intangible assets**

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

**f) Amortisation and impairment of intangible assets**

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

**g) Investment property**

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

**h) Leases**

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Fixed interest investments (bonds)**

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

**j) Quoted investments**

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

**k) Unquoted investments**

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

**l) Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handing charges, and is determined on the moving average price method.

**m) Trade and other receivables**

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

**n) Taxation**

*Current income tax*

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Taxation (Continued)

*Current income tax (Continued)*

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

Kenya Corporation *(Indicate actual name of the entity)*

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### n) Taxation (Continued)

##### *Deferred tax (Continued)*

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

#### o) Cash and cash equivalents

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

#### p) Borrowings

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

#### q) Trade and other payables

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

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**r) Retirement benefit obligations**

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs 1080 per employee or 6% per month.

**s) Provision for staff leave pay**

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

**t) Exchange rate differences**

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

**u) Budget information**

The original budget for FY 2019-2020 was approved by the Board of Directors on xxxx. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of xxxxx on the 2019-2020 budget following the governing body's approval.

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

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

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**u) Budget information (Continued)**

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

**v) Service concession arrangements**

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

**w) Comparative figures**

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

**x) 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, 2019.

**5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

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

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**5 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY  
(Continued)**

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

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

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

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

**6 REVENUE**

	2019	2020	2018	2019
	Kshs		Kshs	
Gross sales of goods	10,938,600		11,981,100	
Gross sales of services	0		0	
Less: Value added tax on gross sales	(0)		(0)	
<b>Total</b>	<b>10,938,600</b>		<b>11,981,100</b>	

[Provide short appropriate explanation as necessary]

**7 COST OF SALES**

	2019	2020	2018	2020
	Kshs		Kshs	
Administrative cost (TWSB)	656,316		852,578	
Regulatory levy (WASREB)	437,544		345,533	
Water abstraction fee (WARMA)	439,704		439,704	
Maintenance of water supply	420,323		1,188,689	
Kenya forest service fee	45,000		67,500	
<b>Total</b>	<b>1,998,887</b>		<b>2,894,004</b>	

**8 GRANTS FROM NATIONAL GOVERNMENT**

	2019	2020	2018	2019
	Kshs		Kshs	
Recurrent grants received	0		0	
Capital grants realized (see note below)	0		0	
In Kind contributions/ donations	1,422,280		1,422,280	
<b>Total</b>	<b>1,422,280</b>		<b>1,422,280</b>	

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

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

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund, KShs	Total grant income during the year KShs	2019-2020 KShs
Embu County Government	1,422,280	0	0	1,422,280	1,422,280

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<b>Total</b>	1,422,280	0	<b>0</b>	1,422,280	1,422,280
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 INTEREST INCOME

Description	2019-2020	2018-2019
	Kshs	Kshs
Interest income from treasury bonds	0	0
Interest income from treasury bonds	0	0
Interest from receivables	0	0
Interest from commercial banks and financial institutions	0	0
Interest on staff loans	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

[Provide short appropriate explanations as necessary]

10 OTHER INCOME

Description	2019-2020	2018-2019
	Kshs	Kshs
Sale of tender documents	0	0
Fines and penalties	0	0
Cash donations	0	0
In kind donations	0	0
Gain on sale of fixed assets	0	0
Insurance compensation	0	0
Decrease in provision for bad and doubtful debts	259,273	251,469
<b>Total</b>	<b>259,273</b>	<b>251,469</b>

[Provide short appropriate explanations as necessary]

11 OTHER GAINS AND LOSSES

Description	2019-2020	2018-2019
	Kshs	Kshs
Foreign exchange gains / (losses)	0	0
Loss/gain on disposal on sale of investments	0	0
Unrealized foreign exchange gains/(losses)	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

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

**12 (a) ADMINISTRATION COSTS**

Description	2019 Kshs	2018 Kshs
Staff costs (note 12b)	9,580,499.65	9,146,513
Directors' emoluments	807,193	585,794
Electricity and water	8,000	40,000
Communication services and supplies	321,870	292,996
Transportation, travelling and subsistence	759,830	1,038,930
Advertising, printing, stationery and photocopying	58,464	0
Rent expenses	72,000	72,000
Staff training expenses	0	149,400
Hospitality supplies and services	126,700	110,650
Insurance costs	52,736	52,736
Bank charges and commissions	289,888	265,468
Office and general supplies and services	0	0
Auditors' remuneration	126,500	126,500
Legal fees/penalties	10,000	0
Consultancy fees/professional services	174,500	283,910
Repairs and maintenance furniture and fittings	125,340	11,860
Provision for bad and doubtful debts	0	0
Security	95,000	87,000
Transport (fuel, oil and maintenance of motors)	433,390	328,874
<b>Total</b>	<b>13,041,910.65</b>	<b>12,780,266</b>

**12 (b) STAFF COSTS**

Salaries and allowances of permanent employees	8,483,078.65	7,822,614
Wages of temporary employees	399,982.9	607,239
Compulsory national health insurance schemes	183,500	184,400
Compulsory national social security schemes	456,938	469,260
Other pension contributions	0	0
Leave pay and gratuity provisions	57,000	63,000
Staff welfare	0	0
<b>Total</b>	<b>9,580,499.65</b>	<b>9,146,513</b>
<b>The average number of employees at the end of the year was:</b>		
Permanent employees – Company	18	18
Permanent employees – Seconded from Embu County Government	4	4
Temporary and contracted employees	7	9
<b>Total</b>	<b>29</b>	<b>31</b>

[Provide short appropriate explanations as necessary]

**Kenya Corporation** *(Indicate actual name of the entity)*

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

**13 SELLING AND DISTRIBUTION COSTS**

Description	2019-2020 Kshs	2018-2019 Kshs
Salaries and wages of sales personnel	0	0
Marketing and promotional expenses	0	0
Sales commissions	0	0
Sales discounts and rebates	0	0
Other selling and distribution costs - depreciation	797,737	919,988
<b>Total</b>	<b>797,737</b>	<b>919,988</b>

*[Provide short appropriate explanations as necessary]*

**14 FINANCE COSTS**

Description	2019-2020 Kshs	2018-2019 Kshs
Interest expense on loans	0	0
Interest expense on bank overdrafts	0	0
Interest on lease liabilities	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

*[Provide short appropriate explanations as necessary]*

**15 OPERATING PROFIT/(LOSS)**

	2019-2020 Kshs	2018-2019 Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 12b)	9,580,499.65	9,146,413
Depreciation of property, plant and equipment	797,737	919,988
Depreciation of right-of-use asset	0	0
Amortisation of intangible assets	0	0
Provision for bad and doubtful debts	0	0
Directors' emoluments - fees	807,193	585,794
- other	3,325,455	2,921,459
Auditors' remuneration - current year fees	126,500	126,500
- prior year under-provision	0	0
Loss on disposal of property, plant and equipment	0	0
Net foreign exchange loss	0	0
Interest receivable	(0)	(0)
Interest payable	0	0

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Total	(13,839,648)	(13,700,254)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 INCOME TAX EXPENSE/(CREDIT)

(a) Current taxation

	2019-2020 Kshs	2018-2019 Kshs
Current taxation based on the adjusted profit for the year at 30%	0	0
Current tax: prior year under/(over) provision	0	0
Current year deferred tax charge	0	0
Prior year under-provision for deferred tax	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

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

	2019-2020 Kshs	2018-2019 Kshs
Profit before taxation	(3,216,242)	(2,939,409)
Tax at the applicable tax rate of 30%	0	XXX
Current tax	0	XXX
Prior year under-provision	XXX	XXX
Tax effects of expenses not deductible for tax purposes	XXX	XXX
Tax effects of income not taxable	XXX	XXX
Tax effects of excess capital allowances over depreciation/amortization	XXX	XXX
Deferred tax prior year over-provision	XXX	XXX
<b>Total</b>	<b>XXX</b>	<b>XXX</b>

[Provide short appropriate explanations as necessary]

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

**17 EARNINGS PER SHARE**

The earnings per share is calculated by dividing the profit after tax of Kshs.XXX (2018-2019: Kshs.XXX) by the average number of ordinary shares in issue during the year of XXX (2018-2019: XXX). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

**18 DIVIDEND PER SHARE**

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2020, a final dividend in respect of the year ended June 30, 2020 of Kshs. XXX (2019: Kshs. XXX) for every ordinary share of par value of Kshs.XXX is to be proposed. An interim dividend of Kshs. XXX (2019: Kshs. XXX) for every ordinary share of par value of Kshs.XXX was declared and paid during the year. This will bring the total dividend for the year to Kshs.XXX (2018: Kshs.XXX).

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 PROPERTY, PLANT AND EQUIPMENT

2020	Fixed- asset land	Buildings & civil works	Plant and machinery	Motor vehicles, including cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
<b>COST OR VALUATION</b>								
At July 1, 2019	0	0	0	2,697,300	11,491,618	0	0	14,188,918
Additions	0	0	0	0	0	0	0	xxx
Transfers	-	0	-	-	-	-	(0)	-
Disposals	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<b>At June 30, 2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,697,300</b>	<b>11,491,618</b>	<b>0</b>	<b>0</b>	<b>14,188,918</b>
<b>DEPRECIATION</b>								
At July 1, 2019	0	0	0	2,494,776	5,514,767	0	0	8,009,543
Charge for the year	0	0	0	50,631	747,106	0	0	797,737
Impairment loss	0	0	0	0	0	0	0	0
Eliminated on disposal	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<b>At June 30, 2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,545,407</b>	<b>6,261,873</b>	<b>0</b>	<b>0</b>	<b>8,807,280</b>
<b>NET BOOK VALUE At June 30, 2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>151,893</b>	<b>5,229,745</b>	<b>0</b>	<b>0</b>	<b>5,381,638</b>

Property, plant and equipment include the following items that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	0	0
Motor vehicles, including motor cycles	0	0
Computers and related equipment	0	0
Office equipment, furniture and fittings	0	0
	<b>0</b>	<b>0</b>



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NOTES TO THE FINANCIAL STATEMENTS (Continued)  
19 PROPERTY, PLANT AND EQUIPMENT (Continued)

2019	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including motor cycles	Computers & related equipment	Office equipment, furniture & fixtures	Capital work in progress	Total
<b>COST OR VALUATION</b>								
At July 1, 2018	0	0	0	2,697,300	11,482,118	0	0	14,169,918
Additions	0	0	0	0	9,500	0	0	9,500
Transfers	-	0	-	-	-	-	(0)	-
Disposals	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<b>At June 30, 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,697,300</b>	<b>11,491,618</b>	<b>0</b>	<b>0</b>	<b>14,188,918</b>
<b>DEPRECIATION</b>								
At July 1, 2018	0	0	0	2,427,262	4,662,288	0	0	7,089,555
Charge for the year	0	0	0	67,509	852,479	0	0	919,988
Impairment loss	0	0	0	0	0	0	0	0
Eliminated on disposal	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<b>At June 30, 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,494,776</b>	<b>5,514,767</b>	<b>0</b>	<b>0</b>	<b>8,009,543</b>
<b>NET BOOK VALUE</b>								
At June 30, 2019	0	0	0	202,524	5,976,851	0	0	6,179,375

Property, plant and equipment include the following items that are fully depreciated:

	Cost or valuation	annual depreciation charge
Plant and machinery	0	0
Motor vehicles, including motor cycles	0	0
Computers and related equipment	0	0
Office equipment, furniture and fittings	0	0
	0	0

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

Kenya Corporation (Indicate actual name of the entity)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 INTANGIBLE ASSETS

	2019-2020	2018-2019
	Kshs	Kshs
<b>COST</b>		
At July 1	0	0
Additions	0	0
Disposals	(0)	(0)
At June 30	<b>0</b>	<b>0</b>
<b>AMORTISATION</b>		
At July 1	0	0
Charge for the year	0	0
Disposals	(0)	(0)
Impairment loss	(0)	(0)
At June 30	<b>0</b>	<b>0</b>
<b>NET BOOK VALUE</b>		
At June 30	<b>0</b>	<b>0</b>

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

Kenya Corporation (Indicate actual name of the entity)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 INVESTMENT PROPERTY

	2019-2020	2018-2019
	Kshs	Kshs
Opening valuation	0	0
<b>Movements during the year</b>		
Additions	0	0
Disposals	(0)	(0)
Fair value gains/(losses)	0	0
Closing valuation	<u>0</u>	<u>0</u>
	=====	=====
<b>DEPRECIATION (IF AT COST)</b>		
At July 1	0	0
Charge for the year		0
Disposals		(0)
Impairment loss		(0)
At June 30		
<b>NET BOOK VALUE</b>		
At June 30		
	=====	=====

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

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

**22 Right-of-use assets**

	Buildings	Plant	Equipment	Total
	Kshs	Kshs	Kshs	Kshs
<b>Cost</b>				
At 1 July 2018 – Restated	XXX	XXX	XXX	XXX
Additions	XXX	XXX	XXX	XXX
At 30 June 2019 – Restated	XXX	XXX	XXX	XXX
Additions	XXX	XXX	XXX	XXX
At 30 June 2020	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
<b>Accumulated Depreciation</b>				
At 1 July 2018 – Restated	XXX	XXX	XXX	XXX
Additions	XXX	XXX	XXX	XXX
At 30 June 2019 – Restated	XXX	XXX	XXX	XXX
Additions	XXX	XXX	XXX	XXX
At 30 June 2020	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
<b>Carrying Amount</b>				
At 30 June 2020	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
At 30 June 2020 – Restated	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>

**Kenya Corporation** *(Indicate actual name of the entity)*

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**23 FIXED INTEREST INVESTMENTS (BONDS)**

	2019-2020	2018-2019
	Kshs	Kshs
Central Bank of Kenya 12.5% 15-Year Infrastructure Bond	0	0
AB Corporate Bond (give details)	0	0
CD Corporate Bond (give details)	0	0
	<b>0</b>	<b>0</b>
	=====	=====

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

<b>Details</b>		
Balance at 1 July	0	0
Additions during the year	0	0
Interest accrued during the year	0	0
Investment maturities during the year	0	0
Balance at 30 June	0	0

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

**24 QUOTED INVESTMENTS**

	2019-2020 Kshs	2018-2019 Kshs
Opening valuation	0	0
<b>Movements during the year</b>		
Additions	0	0
Disposals	(0)	(0)
Fair value gains/(losses)	0	0
Closing valuation	<b>0</b>	<b>0</b>
	=====	=====

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

Name of entity where investment is held	No. of shares			Nominal value of shares purchased price	Fair value of shares Current year	Fair value of shares Prior year
	Direct shareholding	Indirect shareholding	Effective shareholding			
	%	%	%	Shs	Shs	Shs
Entity A	xxx	xxx	xxx	xxx	xxx	xxx
Entity B	xxx	xxx	xxx	xxx	xxx	xxx
Entity C	xxx	xxx	xxx	xxx	xxx	xxx
	xxx	xxx	Xxx	xxx	xxx	xxx

**25 UNQUOTED INVESTMENTS**

	2019-2020 Kshs	2018-2019 Kshs
<b>COST</b>		
At July 1	0	0
Additions	0	0
Disposals	(0)	(0)
At June 30	<b>0</b>	<b>0</b>
<b>IMPAIRMENT</b>		
At July 1	0	0
Disposals	(0)	(0)
Impairment loss in the year	(0)	(0)
At June 30	<b>0</b>	<b>0</b>
<b>NET BOOK VALUE</b>		
At June 30	<b>0</b>	<b>0</b>
	=====	=====

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

**UNQUOTED INVESTMENTS (Continued)**

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

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

**26 INVENTORIES**

	2019-2020 Kshs	2018-2019 Kshs
Engineering stores	0	0
Fuel, oil and lubricants	0	0
Motor vehicle spare parts	0	0
Goods in transit	0	0
Stationery and general stores	0	0
	<b>0</b>	<b>0</b>
	=====	=====

[Provide short appropriate explanations as necessary]

**27(a) TRADE AND OTHER RECEIVABLES**

	2019-2020 Kshs	2018-2019 Kshs
Trade receivables (note 27 (b))	19,696,359	22,310,487
Deposits and prepayments	0	0
VAT recoverable	0	0
Staff receivables (note 27 (c))	0	0
Other receivables	0	0
Gross trade and other receivables	19,696,359	22,310,487
Provision for bad and doubtful receivable	(1,969,636)	(2,231,049)
Net trade and other receivables	17,726,723	20,079,438
	=====	=====

[Provide short appropriate explanations as necessary]

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

**27 (b) TRADE RECEIVABLES**

	2019-2020 Kshs	2018-2019 Kshs
Gross trade receivables	19,696,359	22,310,487
Provision for doubtful receivables	(1,969,636)	(2,231,049)
	<u>17,726,723</u>	<u>20,079,438</u>
	=====	=====
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days		
Between 30 and 60 days		
Between 61 and 90 days		
Between 91 and 120 days		
Over 120 days		
	<u>                    </u>	<u>                    </u>
	=====	=====

*[Provide short appropriate explanations as necessary]*

**27 (c) STAFF RECEIVABLES**

	2019-2020 Kshs	2018-2019 Kshs
Gross staff loans and advances	0	0
Provision for impairment loss	(0)	(0)
	<u>0</u>	<u>0</u>
Less: Amounts due within one year	(0)	(0)
Amounts due after one year	<u>0</u>	<u>0</u>
	=====	=====

*[Provide short appropriate explanations as necessary]*

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

**28 TAX RECOVERABLE**

	2019-2020 Kshs	2018-2019 Kshs
At beginning of the year	0	0
Income tax charge for the year (note 16)	0	0
Under/(over) provision in prior year/s (note 16)	0	0
Income tax paid during the year	(0)	(0)
At end of the year	<b>0</b>	<b>0</b>
	=====	=====

*[Provide short appropriate explanations as necessary]*

**29 SHORT TERM DEPOSITS**

	2019-2020 Kshs	2018-2019 Kshs
Cooperative Bank of Kenya	0	0
Kenya Commercial Bank	0	0
Barclays Bank of Kenya	0	0
	0	0
	=====	=====

*[Provide short appropriate explanations as necessary]*

**30 BANK AND CASH BALANCES**

	2019-2020 Kshs	2018-2019 Kshs
Cash at bank	6,261,650	5,611,489
Cash in hand	621	115,570
	6,262,271	5,727,059
	=====	=====

*[Provide short appropriate explanations as necessary]*

The make – up of bank balances and short term deposits is as follows:

Detailed analysis of the cash and cash equivalents

Financial Institution	Account number	2019-2020	2018-2019
		KShs	KShs
a) Current account	Cooperative Bank of Kenya	0112005189200	(75,768.56)
			(81,467.81)
<b>Sub- total</b>			(81,467.81)
b) On - call deposits	Cooperative Bank of Kenya	60,000	60,000
<b>Sub- total</b>		60,000	60,000
c) Fixed deposits account	Cooperative Bank of Kenya	6,277,418	5,632,957
<b>Sub- total</b>		6,277,418	5,632,957
d) Staff car loan/ mortgage	Cooperative Bank of Kenya	0	0
<b>Sub- total</b>		0	0
e) Others(specify)	Cash in transit	0	0
	cash in hand	621.6	115,570
	M pesa	0	0
<b>Sub- total</b>		621.6	115,570
<b>Grand total</b>		6,262,271	5,727,059

ORDINARY SHARE CAPITAL 31

2019-2020	2018-2019	Kshs	Kshs
<b>Authorized:</b>	500 ordinary shares of Kshs. X par value each	XXX	XXX
		=====	=====
<b>Issued and fully paid:</b>	XXX ordinary shares of Kshs. X par value each	XXX	XXX
		=====	=====

[Provide short appropriate explanations as necessary]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 REVALUATION RESERVE

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

33 FAIR VALUE ADJUSTMENT RESERVE

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

34 RETAINED EARNINGS

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

	2019-2020	2018-2019
	Kshs	Kshs
Balance from previous year	1,808,401	4,747,810
Profit for the year	-3,216,242	-2,939,409
	-1,407,841	1,808,401
	=====	=====

35 BORROWINGS

Description	2019-2020	2018-2019
	Kshs	Kshs
Balance at beginning of the year	2,264,750	2,264,750
Domestic borrowings during the year	0	0
Repayments of domestics borrowings during the year	(0)	(0)
Exchange rate gains/(losses) on revaluation of borrowings	0	0
Balance at end of the year	2,264,750	2,264,750
Less: Amounts due with one year (current portion)	0	0
Amounts due after one year (non-current portion)	2,264,750	2,264,750

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

**35 BORROWINGS (Continued)**

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

	2019-2020 Kshs	2018-2019 Kshs
<b>External Borrowings</b>		
Dollar denominated loan from 'A'	0	0
Sterling Pound denominated loan from 'B'	0	0
Euro denominated loan from 'C'	0	0
	0	0
<b>Domestic Borrowings</b>		
Kenya Shilling loan from KCB	2,264,750	2,264,750
Kenya Shilling loan from Barclays Bank	0	0
Kenya Shilling loan from Consolidated Bank	0	0
	2,264,750	2,264,750
Total balance at end of year	2,264,750	2,264,750
	=====	=====

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

**36 DEFERRED TAX LIABILITY**

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

	2019-2020 Kshs	2018-2019 Kshs
Accelerated capital allowances	0	0
Unrealised exchange gains/(losses)	0	0
Revaluation surplus	0	0
Tax losses carried forward	(0)	(0)
Provisions for liabilities and charges	(0)	(0)
Net deferred tax liability	0	0
	=====	=====

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

**36 DEFERRED TAX LIABILITY (Continued)**

	2019-2020 Kshs	2018-2019 Kshs
The movement on the deferred tax account is as follows:		
Balance at beginning of the year	0	0
Credit to revaluation reserve	(0)	(0)
Under provision in prior year	0	0
Income statement charge/(credit)	0	0
Balance at end of the year	0	0
	=====	=====

[Provide short appropriate explanations as necessary]

37

**LEASE LIABILITY**

	2019-2020 Kshs	2018-2019 Kshs
		(Restated)
Maturity analysis		
Year 1	0	0
Year 2	0	0
Year 3	0	0
Year 4	0	0
Year 5	0	0
On wards	0	0
	0	0
Less: unearned interest	(0)	(0)
	0	0
Analysed as:		
Non-Current	0	0
Current	0	0

**38 TRADE AND OTHER PAYABLES**

	2019-2020 Kshs	2018-2019 Kshs
Trade payables	8,668,631	5,242,266
Accrued expenses	0	0
Retention/ contract monies	0	0
Other payables	0	0
	8,668,631	5,242,266
	=====	=====

**Kenya Corporation** *(Indicate actual name of the entity)*

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*[Provide short appropriate explanations as necessary]*

**39 RETIREMENT BENEFIT OBLIGATIONS**

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1,080 per employee or 6% per month.

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

**40 PROVISION FOR LEAVE PAY**

	2019-2020 Kshs	2018-2019 Kshs
Balance at beginning of the year	0	0
Additional provision at end of year	57,000	63,000
Leave paid out or utilised during the year	(57,000)	(63,000)
Balance at end of the year	0	0
	=====	=====

Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year.

**41 DIVIDENDS PAYABLE**

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

	2019-2020 Kshs	2018-2019 Kshs
Year 2020	XXX	XXX
Year 2019	XXX	-
Year 2018	XXX	XXX
Year 2017	XXX	XXX
Year 2016	XXX	XXX
Balance at end of the year	XXX	XXX
	=====	=====

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 42 NOTES TO THE STATEMENT OF CASH FLOWS

	2019-2020 Kshs	2018-2019 Kshs
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations</b>		
Operating profit/(loss)	(3,216,242)	(2,751,773)
Depreciation	797,737	919,988
Amortisation	0	0
(Gain)/loss on disposal of property, plant and equipment	0	0
Operating profit/(loss) before working capital changes	(2,418,505)	(1,831,785)
(Increase)/decrease in inventories	0	0
(Increase)/decrease in trade and other receivables	2,614,128	2,263,225
Increase/(decrease) in trade and other payables	3,426,365	(539,649)
Increase/(decrease) in customer deposits	530,500	585,500
Increase/(decrease) in provision for staff leave pay	0	0
Cash generated from/(used in) operations	6,570,993	2,309,076
	=====	=====
<b>(b) Analysis of changes in loans</b>		
Balance at beginning of the year	2,264,750	2,264,750
Receipts during the year	0	0
Repayments during the year	(0)	(0)
Repayments of previous year's accrued interest	(0)	(0)
Foreign exchange (gains)/losses	0	(0)
Accrued interest	0	0X
Balance at end of the year	2,264,750	2,264,750
	=====	=====
<b>(c) Analysis of cash and cash equivalents</b>		
Short term deposits	0	0
Cash at bank	6,261,650	5,611,489
Cash in hand	(621)	(115,570)
Balance at end of the year	6,262,271	5,727,059
	=====	=====

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

**42 NOTES TO THE STATEMENT OF CASH FLOWS (Continued)**

	2019-2020	2018-2019
	Kshs	Kshs
<b>(d) Analysis of interest paid</b>		
Interest on loans (note 12)	0	0
Interest on bank overdraft (note 12)	0	0
Interest on lease liabilities	0	0
	0	0
Interest on loans capitalised	0	0
Balance at beginning of the year	0	0
Balance at end of the year (note 35(b))	(0)	(0)
Interest paid	0	0
	=====	=====
<b>(e) Analysis of dividend paid</b>		
Balance at beginning of the year	0	0
2017 dividends paid	0	0
2019 dividends paid	0	0
2020 interim dividends paid	0	0
Balance at end of the year	(0)	(0)
Dividend paid	0	0
	=====	=====

**43 RELATED PARTY DISCLOSURES**

**(a) Government of Kenya**

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

Other related parties include:

- i) The Parent Ministry;
- ii) County Government of Embu
- iii) Key management;
- iv) Board of directors;

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

**43 RELATED PARTY DISCLOSURES (Continued)**

**Transactions with related parties**

	2019-2020 Kshs	2018-2019 Kshs
<b>a) Sales to related parties</b>		
Sales of goods to xxx	0	0
Sales of services xxx	0	0
<b>Total</b>	0	0
	=====	=====
<b>b) Grants from the Government</b>		
Grants from National Govt	,	
Grants from County Government	1,422,280	1,422,280
Donations in kind	,	
<b>Total</b>	1,422,280	1,422,280
	=====	=====
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for xxx employees	0	
Payments for goods and services for xxx	0	
<b>Total</b>	0	
	=====	=====
<b>d) Key management compensation</b>		
Directors' emoluments	807,193	585,794
Compensation to the CEO	0	
Compensation to key management	0	
<b>Total</b>	807,193	585,794
	=====	=====

**44 CAPITAL COMMITMENTS**

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

	2019-2020 Kshs	2018-2019 Kshs
Amounts authorised and contracted for	0	0
Amounts authorizes but not contracted for	0	0
Less: Amounts included in Work in progress	(0)	(0)
	0	0
	=====	=====

[Provide short appropriate explanations as necessary]

**45 CONTINGENT LIABILITIES**

	2019-2020 Kshs	2018-2019 Kshs
Bank guarantees	60,000	60,000
Legal claims against the <i>entity</i>	0	0
Letters of credit	0	0
Disputed tax penalties	0	0
	60,000	60,000
	=====	=====

*[Provide short appropriate explanations as necessary]*

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

**46 FINANCIAL RISK MANAGEMENT**

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

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

**(i) Credit risk**

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2020</b>				
Receivables from exchange transactions	xxx	xxx	xxx	xxx
Receivables from non exchange transactions	xxx	xxx	xxx	xxx
Bank balances	xxx	xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>At 30 June 2019</b>				
Receivables from exchange transactions	xxx	xxx	xxx	xxx
Receivables from non exchange transactions	xxx	xxx	xxx	xxx
Bank balances	xxx	xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

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

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

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

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

ii) Liquidity risk management

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 45 FINANCIAL RISK MANAGEMENT (Continued)

## (ii) Liquidity risk management (Continued)

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
<b>At 30 June 2020</b>				
Trade payables	116,717	391,025	5,897,139	6,403,881
Current portion of borrowings	0	0	2,264,750	2,264,750
Provisions	xxx	xxx	xxx	xxx
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
<b>Total</b>	<b>116,717</b>	<b>391,025</b>	<b>8,161,889</b>	<b>8,668,631</b>
<b>At 30 June 2019</b>				
Trade payables	xxx	xxx	xxx	xxx
Current portion of borrowings	xxx	xxx	xxx	xxx
Provisions	xxx	xxx	xxx	xxx
Deferred income	xxx	xxx	xxx	xxx
Employee benefit obligation	xxx	xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

## (iii) Market risk

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 45 FINANCIAL RISK MANAGEMENT (Continued)

## (iii) Market risk (Continued)

## a) Foreign currency risk

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

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

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

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2019</b>			
<b>Financial assets</b>			
Investments	xxx	xxx	xxx
Cash	xxx	xxx	xxx
Debtors	xxx	xxx	xxx
<b>Financial Liabilities</b>			
Trade and other payables	xxx	xxx	xxx
Borrowings	xxx	xxx	xxx
Net foreign currency asset/(liability)	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

45 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

b) Foreign currency sensitivity analysis

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

	Change in currency rate Kshs	Effect on Profit before tax Kshs	Effect on equity Kshs
<b>2020</b>			
Euro	10%	xxx	Xxx
USD	10%	xxx	Xxx
<b>2019</b>			
Euro	10%	xxx	Xxx
USD	10%	xxx	Xxx

c) Interest rate risk

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

*Management of interest rate risk*

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

*Sensitivity analysis*

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2019: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2019 – KShs xxx)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

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

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

At 30 June 2020	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
<b>Financial Assets</b>				
Quoted equity investments	xx	xx	xx	xx
<b>Non- financial Assets</b>				
Investment property	xx	xx	xx	xx
Land and buildings	xx	xx	xx	xx
	xx	xx	xx	xx
	=====	=====	=====	=====
<b>At 30 June 2019</b>				
<b>Financial Assets</b>				
Quoted equity investments	xxx	xxx	xxx	xxx
<b>Non- financial Assets</b>				
Investment property	xxx	xxx	xxx	xxx
Land and buildings	xxx	xxx	xxx	xxx
	xxx	xxx	xxx	xxx
	=====	=====	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities (Continued)

a) Financial instruments measured at fair value (Continued)

	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
<b>At 30 June 2020</b>				
<b>Financial Assets</b>				
Quoted equity investments	xxx	xxx	xxx	xxx
<b>Non- financial Assets</b>				
Investment property	xxx	xxx	xxx	xxx
Property, plant and equipment	xxx	xxx	xxx	xxx
	xxx	xxx	xxx	xxx
	=====	=====	=====	=====
<b>At 30 June 2019</b>				
<b>Financial Assets</b>				
Quoted equity investments	xxx	xxx	xxx	xxx
<b>Non- financial Assets</b>				
Investment property	xxx	xxx	xxx	xxx
Land and buildings	xxx	xxx	xxx	xxx
	xxx	xxx	xxx	xxx
	=====	=====	=====	=====

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

b) Financial instruments not measured at fair value

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

iv) Capital Risk Management

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

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve	19,436,994	19,436,994
Retained earnings	-1,407,841	1,808,401
Capital reserve	0	0
<b>Total funds</b>	<b>18,029,153</b>	<b>21,245,395</b>
Total borrowings	2,264,750	2,264,750
Less: cash and bank balances	(6,262,271)	(5,727,059)
Net debt/(excess cash and cash equivalents)	(3,997,521)	(3,462,309)
<b>Gearing</b>	<b>xx%</b>	<b>xx%</b>

47 INCORPORATION

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

48 EVENTS AFTER THE REPORTING PERIOD

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

49 CURRENCY

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

**Kenya Corporation** (Indicate actual name of the entity)

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

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	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 implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

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

Date..... 16/2/2021.....

Chairman of the Board



Date..... 16/02/21.....

Kenya Corporation *(Indicate actual name of the entity)*

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

**Projects**

Projects implemented by the State Corporation/ SAGA Funded by development partners

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

**Status of Projects completion**

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

Project	Total project cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1						
2						
3						

Kenya Corporation (Indicate actual name of the entity)

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APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME: Break down of Transfers from the State Department of XXX FY 2019-2020			
<b>a. Recurrent Grants</b>			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		XX	
		XX	
		XX	
	<b>Total</b>	<b>XXX</b>	
<b>b. Development Grants</b>			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		XX	
		XX	
		XX	
	<b>Total</b>	<b>XXX</b>	
<b>c. Direct Payments</b>			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		XX	
		XX	
		XX	
	<b>Total</b>	<b>XXX</b>	
<b>d. Donor Receipts</b>			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		XX	
		XX	
		XX	
	<b>Total</b>	<b>XXX</b>	

The above amounts have been communicated to and reconciled with the parent Ministry  
Finance Manager  
XXX entity

Head of Accounting Unit  
xxx Ministry

Sign -----

Sign-----

ne of the entity)

ents

**TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Nature: Recurrent/Devel- opment/Other	Total Amount - KES	Where Recorded/recognized					Others must be specific	Total Transfer during the Year
		Statement of Financial Performance	Capital Fund	Deferred Income	Receivable			
Recurrent	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Development	Xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Donor Fund	Xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Direct Payment	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx