ECHO NETWORK AFRICA LIMITED (A COMPANY LIMITED BY GUARANTEE)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2020

CONTENTS

Board of directors	Dr Jennifer Riria	Group CEO
	Damaris S. Wanjiku Gitonga	Chairperson
	Selinah Jepkoech Kobogy	
	Emma Mwangola Gituku	
	Elizabeth Achola Mang'eni	
	Jennifer Nyambura Kamande	
	Alice Nyambura Koigi	
	Ursula Lwosi Sore	
Company secretary	Winniefred Jumba Stanford Corporate Services LLP P.O. Box 10643 - 00100 Nairobi, Kenya.	
Registered office	L.R. No. 209/7713 Golf Course, Mucai Drive Ngong Road P.O. Box 55919 - 00200 Nairobi, Kenya.	
Independent auditor	RSM Eastern Africa LLP Certified Public Accountants 1st Floor, Pacis Centre Slip Road, off Waiyaki Way, Westlands P.O. Box 349 - 00606 Nairobi, Kenya.	
Principal bankers	Kenya Women Microfinance Bank Limited Upper Hill Branch P.O. Box 4179 - 00506 Nairobi, Kenya.	
	KCB Bank Limited Moi Avenue Branch P.O. Box 48400 - 00100 Nairobi, Kenya.	
	Standard Chartered Bank Kenya Limited Yaya Centre Branch P.O. Box 30003 - 00100 Nairobi, Kenya.	
	SBM Bank Limited Kilimani Branch P.O. Box 34886 - 00100 Nairobi, Kenya.	
	The Co-operative Bank of Kenya Limited Nairobi Business Centre P.O. Box 19555 - 00202 Nairobi, Kenya.	
	Absa Bank Kenya Limited Sarit Centre P.O. Box 30120 - 00100 Nairobi, Kenya.	
Legal Advisor	Ogola, Okello & Company LLP Greenhouse, Next to Adams Arcade 1st Floor, Office Suite 14 , Ngong Road P.O. Box 62550 - 00200 Nairobi, Kenya.	

The directors submit their report together with the audited financial statements of Echo Network Africa Limited (ENA) for the year ended 31st December 2020.

Directorate

The directors who held office during the year and to the date of this report are set out on page 1.

Principal activities

The principal activity of the company is to empower women through non-financial services.

Business review

Operating Environment:

The Year started at a very low economic performance due to adverse economic conditions prevailing in 2019 that spilled over to 2020. The Covid-19 Pandemic which hit the country early 2020 brought devastating social, economic and political crises that left deep scars to all countries globally. Across the world, businesses closed down and people globally lost jobs and income, with no way of knowing when normality would return. The crisis hit Kenya at a turbulent time, further exposing an economy already weighed down by rising public debt with years of missed revenue collection targets and a budget deficit hovering at more than six percent of GDP. The GDP growth was revised downwards after factoring the effects of locust invasion and the Pandemic impact. The Kenyan currency devalued and inflation was high driven by supply-side shortages owing to lockdowns across the globe which disrupted supply chains, further heightening cost-push inflation. Financial markets were hit from the uncertainty and industry disruptions brought about by the virus, a trend replicated in global financial markets with investors exiting the market. The government however announced a series of relief measures which partially cushioned the heavy blow to the economy in the year.

The Institutional performance in 2020 although negatively impacted by the Covid-19 pandemic, improved in terms of Donor funding received compared to year 2019. As at December 2020 KSh 23,720,653 had been received for ongoing programme work for all focus areas. Donor funds received in 2019 amounted to KSh19, 298,306.00, an increase of over 20% in donor funding in the year.

Despite the problems caused by the prevalence of COvid19, ENA's fundraising efforts in the year were enhanced. Funds were received from new development partners and existing ones .The new development partners include Sades (K), AHF, UNWOMEN, Uraia and MEDA and the existing ones are OSF, HBF, Hans Seidel Foundation and Ford Foundation. ENA is gradually being recognized in the development world as a key player in catalyzing various dimensions of development, and especially all matters relating to women's leadership, positioning in the democratic spaces and economic empowerment. This is an indication that the institution may be able to attract funding in future in support of ENA's initiatives. ENA's vision for 2021 and beyond is to expand locally and regionally in its catalytic role.

The Jennifer Riria Hub building was completed two years ago. However returns from this investment have not been realized because of the impact of Covid-19 pandemic, coupled with poor management of the property. The occupancy rate was still low at year end. This rate is projected to rise to at least 50% by end of 2021. When this is achieved ENA will cover more than 50% of its management costs.

Short term financial instruments have been contributing over 70% of the Institutional incomes. Interest rates on short term Investments were low from July 2020 due to adverse performance of the financial markets resulting from poor economic conditions. As a result; some of ENA's funds were invested at a return rate of 6.75% against budgeted 8% from July 2020.

ENA's investment in the Associate Company (KWFT Bank) has not been generating returns for more than 3 years running. The Banks performance in 2020 was hampered by poor economic conditions and Covid -19, a situation experienced by businesses world over. The prospect of identifying a strategic Investor to dispose a portion of ENA's shareholding has not yet borne fruits. The Company has shown good indicators for recovering in its Q1 2021performance. We hope this trend will continue to the end of the year.

Business review (continued)

Risk Management

Risk management is the responsibility of every staff in ENA. The risk framework and policies put in place support in aligning ENA's strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the uncertainties that ENA faces during the course of implementing all initiatives.

The Board of Echo Network Africa Ltd has an oversight role of ensuring that there is a sound system of risk management and control in place throughout the institution to:

• Safeguard the Institution's assets and investments;
• Support business objectives;
• Support business sustainability under normal as well as under any adverse operating conditions; and
• Responsibly towards all stakeholders who have a legitimate interest in ENA

In light of the Board oversight in risk management, ENA has now institutionalized risk and compliance focus area.It coordinates with other focus areas on identification, assessment, mitigation, monitoring and reporting of risks. It uses an integrated and holistic approach to risk management in the Institution as a basis to achieving effective corporate governance. Other Focus areas respond appropriately to significant business, strategic, operational, finance, compliance and other risks that threaten the achievement of their strategic and operational objectives.

During the Audit year the Institution had to cope with some key risks such as;

• Economic conditions impacting negatively on Business growth
• Uncontrollable external factors impacting on Business performance among this being the Covid-19 pandemic that globally affected all businesses.
• Low occupancy rate at the Jennifer Riria Hub and uncertain rents due to unstable market conditions arising from impact of Covid-19 and other adverse economic factors
• Rent default risk
• Revolving Loan fund for Aquaculture farming - inherent risks in the industry
• Poor performance of the Associate Company due to adverse Economic conditions

ENA will continue developing mitigation strategies against all risks affecting its business.

Compliance

Echo Network Africa (ENA) is a development Institution registered as a company limited by guarantee. The institution complies with the provisions of this Act and other Acts that are aligned to ENA's mission, vision and strategy and to all statutory compliance requirements. ENA adopts universally accepted principles in all areas of our operations and report using the IFRS's relevant to the Institution.

Statement as to disclosure to the company's auditor

With respect to each director at the time this report was approved:
(a) there is, so far as the director is aware, no relevant audit information of which the company's auditor is unaware; and
(b) the director has taken all the steps that the director ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Terms of appointment of the auditor

The directors approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of KSh 575,000 has been charged to profit or loss in the year.

By order of the board

WNjumba
....
Director/ Company secretary

Nairobi ....24th May.... **2021**

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that: (a) show and explain the transactions of the company; (b) disclose, with reasonable accuracy, the financial position of the company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
ii) selecting suitable accounting policies and applying them consistently; and
iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 24th May, 2021 and signed on its behalf by:

....
Director **Director**

RSM Eastern Africa LLP
Certified Public Accountants

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REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ECHO NETWORK AFRICA LIMITED

Opinion

We have audited the accompanying financial statements of Echo Network Africa Limited (the "company"), set out on pages 7 to 27, which comprise the balance sheet as at 31st December 2020, the statement of profit and loss and other comprehensive income, statements of changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the company as at 31st December 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015, as set out below.

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

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

RSM

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF ECHO NETWORK AFRICA LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other matters prescribed by the Kenyan Companies Act, 2015

In our opinion the information given in the report of the directors on pages 2 and 3 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA **Elvis Ogeto**, Practising Certificate No. 2303

for and on behalf of RSM Eastern Africa LLP
Certified Public Accountants
Nairobi

...........24 May............ **2021**
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PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2020

	Note	2020 KSh'000	2019 KSh'000
Revenue	4	98,176	178,075
Other income	5	10,963	7,713
Grant income	6	10,443	17,767
Fair value loss/(gain) on revaluation of assets	7	(15,999)	215,445
Administrative expenses		(179,344)	(188,324)
Establishment expenses		(8,328)	(11,143)
Rental expenses		(9,071)	(6,229)
Project expenses		(8,886)	(2,683)
Share of loss in associate	18	(360,049)	(90,806)
Impairment loss in associate	18	(72,071)	-
(Loss)/profit before tax	8	(534,166)	119,815
Tax expense	9	(25,074)	(50,363)
(Loss)/profit for the year attributable to members		(559,240)	69,452
Other comprehensive loss			
Items that will not be reclassified subsequently to profit or loss:			
Surplus /(deficit)/on revaluation of property and equipment	11	1,796	(271)
Deferred income tax relating to items that will not be reclassified	11	(539)	81
Other comprehensive income/(loss) for the year, net of tax		1,257	(190)
Total comprehensive (loss)/income for the year attributable to members		(557,983)	69,262

BALANCE SHEET AT 31ST DECEMBER 2020

	Note	2020 KSh'000	2019 KSh'000
EQUITY			
Fund balance	10	1,586,102	1,586,102
Revaluation surplus	11	141,717	140,460
Revolving fund reseve	12	6,292	-
Retained earnings		1,783,723	2,342,963
Total equity		3,517,834	4,069,525
Non-current liabilities			
Deferred tax	13	66,947	66,740
		3,584,781	4,136,265
REPRESENTED BY			
Non-current assets			
Property and equipment	14	207,163	208,670
Investment property	15	1,235,000	1,235,000
Intangible assets	16	53	1,174
Financial assets	17	24,268	3,758
Investment in associate	18	929,644	1,361,764
Revolving fund advances	19	6,224	-
		2,402,352	2,810,366
Current assets			
Other receivables	20	120,454	112,093
Current tax recoverable		12,254	-
Cash at bank and in hand	21	1,127,187	1,309,601
		1,259,895	1,421,694
Current liabilities			
Other payables	22	77,466	85,427
Tax payable		-	10,368
		77,466	95,795
Net current asset		1,182,429	1,325,899
		3,584,781	4,136,265

The financial statements on pages 7 to 27 were authorised for issue by the board of directors on ...24th May....... 2021 and were signed on its behalf by:

.... **Director**

.... **Director**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2020

	Fund balance KSh'000	Revolving fund reserve KSh'000	Revaluation surplus KSh'000	Retained earnings KSh'000	Total KSh'000
At 1st January 2019	1,586,102	-	140,650	2,273,511	4,000,263
Profit for the year	-	-	-	69,452	69,452
Deficit on revaluation of property and	-	-	(271)	-	(271)
Deferred income tax relating to items that will not be reclassified	-	-	81	-	81
At 31st December 2019	1,586,102	-	140,460	2,342,963	4,069,525
At 1st January 2020	1,586,102	-	140,460	2,342,963	4,069,525
Loss for the year	-	-	-	(559,240)	(559,240)
Contribution	-	6,292	-	-	6,292
Surplus on revaluation of property and equipment	-	-	1,796	-	1,796
Deferred income tax relating to items that will not be reclassified	-	-	(539)	-	(539)
At 31st December 2020	1,586,102	6,292	141,717	1,783,723	3,517,834

STATEMENT CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2020

	Note	2020 KSh'000	2019 KSh'000
Cash flows from operating activities			
(Loss)/profit for the year		(559,240)	69,452
Adjustments for:			
Tax expense	9	25,074	50,363
Depreciation of property and equipment	14	3,816	3,802
Amortisation of intangible assets	16	1,121	2,108
Loss on disposal of property and equipment	5	271	69
Fair value on revaluation of assets	7	15,999	(215,445)
Impairment loss in associate	18	72,071	-
Share of loss in associate	18	360,049	90,806
Operating (loss)/profit before working capital changes		(80,839)	1,155
Increase in other receivables		(8,361)	(24,492)
Decrease in other payables		(7,961)	(25,558)
Cash used in operations		(97,161)	(48,895)
Income tax paid		(48,028)	(27,643)
Net cash used in operating activities		(145,189)	(76,538)
Cash flows from investing activities			
Purchase of property and equipment	14	(4,810)	(1,198)
Purchase of investment property	15	(14,925)	(96,691)
Purchase of intangible assets	16	-	(80)
Purchase of financial assets		(21,584)	-
Proceeds from liquidation of treasury bills		-	13,584
Repayment of loan by associate		-	38,314
Addition to revolving fund advances		(6,224)	-
Proceeds from disposal of property and equipment		4,026	10
Net cash used in from investing activities		(43,517)	(46,061)
Cash flows from financing activities			
Addition to revolving funds		6,292	-
Net cash generated from financing activities		6,292	-
Net decrease in cash and cash equivalents		(182,414)	(122,599)
Cash and cash equivalents at start of year		1,309,601	1,432,200
Cash and cash equivalents at end of year	21	1,127,187	1,309,601

NOTES

1. Summary of significant accounting policies

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

a) Basis of preparation

The financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. They are presented in Kenya Shillings, which is also the functional currency (see (c) below), rounded to the nearest thousand (KSh'000).

The financial statements comprise a profit or loss account and other comprehensive income (income statement), balance sheet (statement of financial position), statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit and loss account. Other comprehensive income is recognised in the statement of other comprehensive income and comprises items of income and expense (including reclassification adjustments) that are not recognised in the profit and loss account as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to the profit and loss account in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the company in their capacity as owners are recognised in the statement of changes in equity.

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies sumarised below.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Company using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:
• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).
Transfers between levels of the fair value hierarchy are recognised by the Company at the end of the reporting period during which the change occurred.

b) New and revised standards

i) Adoption of new and revised standards

Three Amendments to standards became effective for the first time in the financial year beginning 1st January 2020 and have been adopted by the Company. None of the Amendments has had an effect on the Company's financial statements.

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

b) New and revised standards (continued)

ii) New and revised standards that have been issued but are not yet effective

The company has not applied any new or revised standards and interpretations that have been published but are not yet effective for the year beginning 1st January 2020, and the Directors do not plan to apply any of them until they become effective. Note 23 lists all such new or revised standards and interpretations, with their effective dates, and provides reasonably estimable information relevant to assessing the possible impact that application of them will have on the company's financial statements in the period of initial application.

c) Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the company operates), which is Kenya Shillings.

Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in the profit and loss account in the year in which they arise, except for differences arising on translation of non-monetary assets measured at fair value through other comprehensive income, which are recognised in other comprehensive income.

d) Revenue recognition

The Company recognises revenue as and when it satisfies a performance obligation by transferring control of a product or service to a customer. The amount of revenue recognised is the amount the Company expects to receive in accordance with the terms of the contract, and excludes amounts collected on behalf of third parties, such as Value Added Tax.

Interest income is recognised on a time proportion basis using the effective interest method.

Grant income is recognised on receipt.

Fee income is recognised at the time of effecting the transaction.

Dividend income is recognised when the right to receive the payment is established.

Rental income is recognised on an accrual basis, based on operating lease contracts with customers.

e) Income tax

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the profit and loss account except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

<u>Current tax</u>

Current tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Kenyan Income Tax Act.

<u>Deferred income tax</u>

Deferred tax is determined for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the asset is recovered or the liability is settled.

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

e) Income tax (continued)

Deferred income tax (continued)

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities. However, for investment property that is measured using the fair value model, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.

Deferred tax liabilities are recognised for all taxable temporary differences except those arising on the initial recognition of an asset or liability, other than through a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

f) Financial instruments

Initial recognition

Financial instruments are recognised when, and only when, the Company becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Company commits itself to the purchase or sale.

Classification

The company classifies its financial instruments into the following categories:

i) Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at amortised cost;

ii) Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at fair value through other comprehensive income;

iii) All other financial assets are classified and measured at fair value through profit or loss;

iv) Notwithstanding the above, the Company may:

a) on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it at fair value through other comprehensive income.

b) on initial recognition of a debt instrument, irrevocably designate it as classified and measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

v) Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The Company may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency; and

vi) All other financial liabilities are classified and measured at amortised cost.

Financial instruments held during the year were classified as follows:

- Demand and term deposits with banking institutions, trade and other receivables, and investments in government securities were classified as at amortised cost:
- Investments in quoted shares were classified by irrevocable election on initial recognition as at fair value through profit or loss statement;

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

f) Financial instruments (continued)

Initial measurement

On initial recognition:

i) Financial assets or financial liabilities classified as at fair value through profit or loss are measured at fair

ii) Trade receivables are measured at their transaction price.

iii) All other categories of financial assets and financial liabilities are measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument.

Subsequent measurement

Financial assets and financial liabilities after initial recognition are measured either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss according to their classification.

Interest income, dividend income, and exchange gains and losses on monetary items are recognised in profit or

Fair value is determined as set out in Note 1(a), Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Impairment

The Company recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Presentation

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Company's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the Company does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Company has transferred substantially all risks and rewards of ownership, or when the Company has no reasonable expectations of recovering the asset.

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

f) Financial instruments (continued)

Derecognition/write off (continued)

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

When a financial asset measured at fair value through other comprehensive income, other than an equity instrument, is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. For equity investments for which an irrevocable election has been made to present changes in fair value in other comprehensive income, such changes are not subsequently transferred to profit or loss.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

g) Leases

Leases under which the company is the lessor

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee are classified as finance leases. All other leases are classified as operating leases. Payments received under operating leases are recognised as income in the profit and loss account on a straight-line basis over the lease term. The Company has not entered into any finance leases.

h) Property and equipment

All categories of property and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment. Land and buildings are subsequently carried at a revalued amount, based on annual valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All other items of property and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that it will increase the future economic benefits associated with the item that will flow to the company over those originally assessed and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit and loss account in the year in which they are incurred.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the profit and loss account.

Depreciation is calculated using the reducing balance method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

i) Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property, including interest in leasehold land, is initially recognised at cost including the transaction costs. Subsequently, investment property is carried at fair value representing the open market value at the balance sheet date determined by annual valuations carried out by external registered valuers (Level 2). Gains or losses arising from changes in the fair value are included in determining the profit or loss for the year to which they relate.

Subsequent expenditure on investment property where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment property. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

j) Intangible assets

Software licence costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the company are recognised as intangible assets. Amortisation is calculated using the straight line method to write down the cost of each licence or item of software to its residual value over its estimated useful life.

k) Investment in associate

An associate is an entity over which the group has significant influence, but which it does not control.

Investment in associate is accounted for by the equity method of accounting. Under the equity method, investment in associate is carried in the balance sheet at cost plus share of subsequent profits less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

l) Impairment of non-financial assets

Non-financial assets that are carried at amortised cost are reviewed at the end of each reporting period for any indication that an asset may be impaired. If any such indication exists, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

m) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

n) Short term employee benefits

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an employment cost accrual.

o) Post-employment benefit obligations

The company and its employees also contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the company's contributions are charged to the profit and loss account in the year to which they relate.

The company also operates a gratuity scheme for its employees. The service cost of the scheme is included in the profit or loss account.

NOTES (CONTINUED)

2. Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the company, the directors make certain judgements and estimates that may affect the amounts recognised in the financial statements. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. However, actual results may differ from those estimates. The judgements and estimates are reviewed at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available, and any revisions to such judgements and estimates are recognised in the year in which the revision is made.

a) Significant judgements made in applying the company's accounting policies

The judgements made by the directors in the process of applying the company's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

(i) Classification of financial assets: whether the business model in which financial assets are held has as its objective the holding of such assets to collect contractual cash flows or to both collect contractual cash flows and sell the assets; and whether the contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest.

b) Key sources of estimation uncertainty

Key assumptions made about the future and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year include:

i) *Impairment losses*
Estimates made in determining the expected credit losses on financial assets. Such estimates include the determination of probabilities of default including the use of forward looking information, and of losses given default.

3. Risk management objectives and policies

a) Financial risk management

The company's activities expose it to a variety of financial risks including credit, liquidity and market risks. The company's overall risk management policies are set out by the board and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the company's performance by setting acceptable levels of risk. The company does not hedge against any risks.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a company-wide basis. The company does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution. The Company carries out its own assessment of credit risk before investing in treasury bonds and fixed deposits, and updates such assessments at each reporting date.

Credit risk on other receivables is managed by ensuring that credit is extended to entities with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting the credit limit and the credit period for each entity. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

NOTES (CONTINUED)

3. Risk management objectives and policies (continued)

a) Financial risk management (continued)

i) Credit risk (continued)

In assessing whether the credit risk on a financial asset has increased significantly, the Company compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the Company considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For these purposes default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations. However, there is a rebuttable assumption that default does not occur later than when a financial asset is 90 days past due.

If the Company does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the Company groups financial assets on the basis of shared credit risk characteristics, such as:

- type of instrument
- industry in which the debtor operates
- nature of collateral.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- significant financial difficulty of the debtor
- a breach of contract
- it is probable that the debtor will enter bankruptcy
- the disappearance of an active market for the financial asset because of financial difficulties.

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

	12-month expected credit losses	**Lifetime expected credit losses (see note below)**			
		(a)	**(b)**	**(c)**	**Total**
	KSh'000	**KSh'000**	**KSh'000**	**KSh'000**	**KSh'000**
31st December 2020					
Financial assets	21,584	-	-	-	21,584
Other receivables	118,789	-	2,250	-	121,039
Cash at bank	1,127,187	-	-	-	1,127,187
Exposure to credit risk	1,267,560	-	2,250	-	1,269,810

	12-month expected credit losses	**Lifetime expected credit losses (see note below)**			
		(a)	**(b)**	**(c)**	**Total**
	KSh'000	**KSh'000**	**KSh'000**	**KSh'000**	**KSh'000**
31st December 2019					
Other receivables	110,612	-	2,250	-	112,862
Cash at bank	1,309,601	-	-	-	1,309,601
Exposure to credit risk	1,420,213	-	2,250	-	1,422,463

3. Risk management objectives and policies (continued)

a) Financial risk management (continued)

i) Credit risk (continued)

Financial assets for which the loss allowance has been measured at an amount equal to lifetime expected credit losses have been analysed above based on their credit risk ratings as follows:
(a) financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired;
(b) financial assets that are credit impaired at the balance sheet date; and
(c) trade receivables, contract assets and lease receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices.

ii) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the company's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The company manages liquidity risk by continuously reviewing forecasts and actual cash flows, and maintaining banking facilities to cover any shortfalls.

The table below summarises the maturity analysis for financial liabilities to their remaining contractual maturities. The amounts disclosed are the contractual undiscounted cash flows.

31st December 2020	Less than one month KSh'000	Between 1-3 months KSh'000	Between 3-12 months KSh'000	Over 1 year KSh'000
Other payables	9,549	-	62,404	-

31st December 2019	Less than one month KSh'000	Between 1-3 months KSh'000	Between 3-12 months KSh'000	Over 1 year KSh'000
Other payables	48,411	-	37,016	-

iii) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and other price risk.

<u>Interest rate risk</u>

Interest rate risk is the risk that the company's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from deposits with banking institutions. This exposes the company to cash flow interest rate risk. Management consider that a change in interest rates of 1 basis points in the year ending 31st December 2021 is reasonably possible. If the interest rates on the company's deposit with financial institution at the year-end were to increase/decrease by this number of percentage points, with all other factors remaining constant, the post tax profit and equity would be higher/lower by KSh 724,164 (2019: KSh 858,506) respectively.

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

NOTES (CONTINUED)

3. Risk management objectives and policies (continued)

a) Financial risk management (continued)

iii) Market risk (continued)

Other price risk

Other price risk arises on financial instruments because of changes in the price of a financial instrument. The company is exposed to other price risk on its investment in quoted shares. Management consider that a change in the market prices of its quoted shares of 10% either way in the year ending 31st December 2021 is reasonably possible. If the price of fair value through profit and loss financial assets decreased/increased by the said percentage, with other factors remaining constant, profit and loss and equity would decrease/increase by KSh 268,400 (2019: KSh 375,800).

Currency risk

The company is not exposed to currency risk.

b) Capital management

The company's objective in managing its capital is to ensure that it supports the development of its business and is able to continue as a going concern, while at the same time maximising the return to its shareholders. The company is not subject to any external capital requirements.

	2020 KSh'000	2019 KSh'000
4. Revenue		
Interest income on fixed deposits	98,176	116,389
Interest income on loan	-	61,686
	98,176	178,075
5. Other income		
Registration fees	76	143
Loss on disposal of assets	(271)	(69)
Dividends received from investments in quoted shares	241	295
Consultancy income - Aquaculture	-	839
Rental income	8,153	5,711
Other income	2,764	794
	10,963	7,713
6. Grant income		
Grant income - Aquaculture	6,389	13,961
Grant income - Corporate	179	-
Grant income - Other	762	-
Grant income - Meda	220	-
Grant income - National Democratic Institute	-	2,192
Grant income - Democratic Trust Fund	2,893	1,614
	10,443	17,767
7. Changes in fair value		
These comprise changes in fair value of:		
Investment property	(14,925)	214,824
Financial assets measured at fair value through profit and loss	(1,074)	621
	(15,999)	215,445

NOTES (CONTINUED)

8. (Loss)/profit before tax

	2020 KSh'000	2019 KSh'000
(a) Items charged		
The following items have been charged in arriving at profit/(loss) before tax:		
Employee benefits expense (Note 8(b))	148,909	150,018
Depreciation of property and equipment	3,816	3,802
Amortisation of intangible assets	1,122	2,108

(b) Employee benefits expense

The following items are included in employee benefits expense:

	2020 KSh'000	2019 KSh'000
Salaries and wages	121,211	122,312
Retirement benefit costs:		
- National Social Security Fund	74	74
- Staff gratuity	27,624	27,632
	148,909	150,018

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

	2020 Number	2019 Number
Finance	6	6
Programmes	7	6
Information, Communication and Technology	2	2
Corporate	8	6
Management and administration	9	10
Total	32	30

9. Tax expense

	2020 KSh'000	2019 KSh'000
Current tax	24,328	53,316
Deferred tax (Note 13)	746	(2,953)
Income tax expense	25,074	50,363

The tax on the Company's (loss)/profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate of 25% (2019: 30%) as follows:

	2020 KSh'000	2019 KSh'000
(Loss)/profit before tax	(534,166)	119,815
Tax calculated at the statutory tax rate of 25% (2019: 30%)	(133,542)	35,945
Tax effect of:		
Expenses not deductible for tax purposes	153,264	6,774
Income not subject to tax	5,352	7,644
Income tax expense	25,074	50,363

The statutory tax rate was reduced from 30% to 25% for the year of income 2020 by the Tax Laws (Amendment) Act, 2020. The Tax Laws (Amendment) (No.2) Act, 2020 increased the rate back to 30% with effect from 1st January 2021.

10. Fund balance

	2020 KSh'000	2019 KSh'000
At start and end of year	1,586,102	1,586,102

The fund balance represents capital fund received from various donors. The fund balance is not distributable.

NOTES (CONTINUED)

11. Revaluation surplus

	2020 KSh'000	2019 KSh'000
At start of year	140,460	140,650
Surplus/(deficit) on revaluation of property and equipment	1,796	(271)
Deferred income tax relating to items that will not be reclassified	(539)	81
At end of year	141,717	140,460

The revaluation surplus represent increase in the fair value of land and building, net of deferred tax, carried at revalued amounts.

12. Revolving fund reserve

	2020 KSh'000	2019 KSh'000
At start and end of year	-	-
Contribution during the year	6,292	-
At start and end of year	6,292	-

The fund balance represents 50% contribution by donors and 50% contribution by the company towards the revolving fund for Aquaculture project . In line with the donors agreement, these funds are set aside and can be only be utilised as advances to women groups undertaking aquculture activities.

13. Deferred income tax

Deferred tax is calculated using the enacted rate of 30%, which is the enacted rate applying from 1st January 2021 (2019: 30%). However, the statutory tax rate for the year ended 31st December 2020 was 25% (see Note 8). The following are the deferred tax assets/(liabilities) recognised by the Company:

Deferred tax assets and liabilities, deferred tax charge in the profit and loss account and in equity are attributable to the following items:

Year ended 31st December 2020	**At 1st January KSh'000**	**Charged to other comprehensive KSh'000**	**Charged to profit & loss KSh'000**	**At 31st December KSh'000**
Deferred income tax liability				
Revaluation of property and equipment	55,999	(539)	-	55,460
Revaluation of investment property	10,741	-	746	11,487
Net deferred tax liability	66,740	(539)	746	66,947
Year ended 31st December 2019				
Deferred income tax liability				
Revaluation of property and equipment	56,080	(81)	-	55,999
Revaluation of investment property	13,694	-	(2,953)	10,741
Net deferred tax liability	69,774	(81)	(2,953)	66,740

14. Property and equipment

	Land and buildings KSh'000	Computer equipments KSh'000	Motor vehicles KSh'000	Furniture, fitting and office equipments KSh'000	Total KSh'000
Cost or valuation	204,360	7,709	19,954	14,432	246,455
Accumulated depreciation	-	(6,549)	(19,236)	(12,000)	(37,785)
Net carrying value	204,360	1,160	718	2,432	208,670
Year ended 31st December 2019					
Opening carrying value	204,631	1,311	2,978	2,704	211,624
Additions	-	771	-	427	1,198
Disposal	-	-	-	(79)	(79)
Revaluation	(271)	-	-	-	(271)
Depreciation charge	-	(922)	(2,260)	(620)	(3,802)
Closing carrying value	204,360	1,160	718	2,432	208,670
At 31st December 2019					
Cost or valuation	204,360	7,709	19,954	14,432	246,455
Accumulated depreciation	-	(6,549)	(19,236)	(12,000)	(37,785)
Net carrying value	204,360	1,160	718	2,432	208,670
Year ended 31st December 2020					
Opening carrying value	204,360	1,160	718	2,432	208,670
Additions	-	271	-	4,539	4,810
Disposal	-	-	-	(4,297)	(4,297)
Revaluation	1,796	-	-	-	1,796
Depreciation charge	(1,796)	(676)	(718)	(626)	(3,816)
Closing carrying value	204,360	755	-	2,048	207,163
At 31st December 2020					
Cost or valuation	206,156	7,862	19,954	14,674	248,646
Accumulated depreciation	(1,796)	(7,107)	(19,954)	(12,626)	(41,483)
Net carrying value	204,360	755	-	2,048	207,163

Leasehold land and buildings were valued (Level 2) on 31st December 2020 by Crystal Valuers Limited, independent valuers, on the basis of open market value.

The annual depreciation rates used are as follows:

	Rate - %
Leasehold land	Over lease period
Buildings	10 years
Computer equipment	30%
Motor vehicles	25%
Furniture, fitting and office equipment	12.5%

NOTES (CONTINUED)

15. Investment property

	Leasehold land KSh'000	Buildings KSh'000	Capital work in progress KSh'000	Total KSh'000
Year ended 31st December 2020				
At 1st January	240,000	995,000	-	1,235,000
Additions	-	14,925	-	14,925
Fair value loss	-	(14,925)	-	(14,925)
At 31st December	240,000	995,000	-	1,235,000
Year ended 31st December 2019				
At 1st January	240,000	45,000	638,485	923,485
Additions	-	-	96,691	96,691
Transfer from work-in-progress	-	735,176	(735,176)	-
Fair value gains	-	214,824	-	214,824
At 31st December	240,000	995,000.	-	1,235,000

The fair value of the investment property is based on the valuation carried out by Crystal Valuers Limited independent valuers, on the basis of open market value (Level 2). The valuer is a registered valuer and has experience in the location and the category of the investment property being valued. The investment property was valued on 31st December 2020.

16. Intangible assets

	2019 KSh'000	2019 KSh'000
Cost		
At 1st January	8,602	8,522
Additions	-	80
At 31st December	8,602	8,602
Amortisation		
At 1st January	7,428	5,320
Charge for the year	1,121	2,108
At 31st December	8,549	7,428
Net book value		
At 31st December	53	1,174

NOTES (CONTINUED)

17. Financial assets

Non- Current	2020 KSh'000	2019 KSh'000
Treasury bonds	21,584	-
Equity instruments	2,684	3,758
	24,268	3,758

The fair values of government securities are based on prices published by brokers (Level 2). Fair values of corporate bonds and term deposits are based on discounted cash flows using a discount rate based on current market rates offered for deposits with similar credit risk and maturity dates (Level 2).

The categorisation of assets carried at fair value by the levels defined in Note 1(a) is as follows:

Financial instruments measured at fair value through profit or loss	2020 KSh'000	2019 KSh'000
Equity instruments	2,684	3,758

The movement in the fair value of those assets measured at fair value based on Level 1 were as follows:

At start of year	3,758	3,137
Gain on revaluation recognised in the profit or loss	(1,074)	621
At end of year	2,684	3,758

18. Investment in associate

At 1st January	1,361,764	1,452,570
Share of loss for the year	(360,049)	(90,806)
Impairment loss	(72,071)	-
At 31st December	929,644	1,361,764

The company's has an interest of 25% (2019: 25%) in the equity and voting rights of Kenya Women Microfinance Bank Limited . Kenya Women Microfinance Bank Limited is incorporated in Kenya and is unlisted. The principal place of business is along Mombasa Road, Nairobi.

19. Revolving fund advances

At 1st January	-	-
Advances during the year	6,224	-
At 31st December	6,224	-

NOTES (CONTINUED)

20. Other receivables

	2020 KSh'000	2019 KSh'000
Prepayments	1,665	1,481
Other receivables	118,789	110,612
Chase Bank Limited (under receivership)	2,250	2,250
Impairment of Chase Bank Limited balance	(2,250)	(2,250)
	120,454	112,093

Included under other receivables are bank balances held with Chase Bank Limited (under receivership). The bank balance has been reclassified from cash and cash equivalents to other receivables, because they are no longer deemed to be highly liquid investments that are readily convertible to cash.

21. Cash and cash equivalents

For the purpose of the statement of cash flow, cash and cash equivalents comprise the following:

	2020 KSh'000	2019 KSh'000
Cash and current account balances	17,386	43,814
Deposits with financial institutions	1,109,801	1,265,787
	1,127,187	1,309,601

22. Other payables

	2020 KSh'000	2019 KSh'000
Other payables and accruals	9,549	48,411
Provision for gratuity	56,729	33,275
Provision for leave	5,675	3,741
Deferred income	5,513	-
	77,466	85,427

23. Related party transactions

The following transactions were carried out with related parties which were related through common share holding and directorships.

The following transactions were carried out with related parties:

	2020 KSh'000	2019 KSh'000
i) Interest income		
Interest from fixed deposit	29,902	39,458
Interest on loan	-	61,686
	29,902	101,144
ii) Director's remuneration		
- as executives	54,636	54,636
- fees	2,369	2,929
	57,005	57,565
iii) Key management compensation	18,069	17,384
iv) Outstanding balances arising from sale and purchase of goods/services		
Loans and advances to other employees	16,096	14,527
Investment in fixed deposits	245,706	267,647

NOTES (CONTINUED)

23. New and revised financial reporting standards

The Company has not applied the following new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1st January 2020.

Amendments to IFRS 16 titled Covid-19 Related Rent Concessions (issued in May 2020)

The amendments, applicable to annual periods beginning on or after 1 June 2020, permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease

Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.

Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)

The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendment to IFRS 1 titled Subsidiary as a First-time Adopter (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)

The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.

Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)

The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)

The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS Standards.

IFRS 17 Insurance Contracts (issued in May 2017)

The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.

Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)

The amendments, applicable to annual periods beginning on or after 1 January 2023, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

Amendments to IFRS 10 and IAS 28 titled *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued in September 2014)

The amendments, applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

SCHEDULE OF OPERATING EXPENDITURE

1. ADMINISTRATIVE EXPENSES

	2020 KSh'000	2019 KSh'000
Employment:		
Salaries and wages	121,285	122,386
Staff gratuity	27,624	27,632
Staff medical insurance	5,216	7,311
Provision for leave	5,046	453
Staff training	58	2,881
Total employment costs	159,229	160,663
Other administration expenses:		
Postage and telephone	1,968	1,377
Entertainment and travel	998	3,648
Printing and stationery	1,243	1,486
Advertising and marketing expenses	391	7,238
Audit fees		
- Current year	609	575
Legal and professional fees	1,011	1,851
Secretarial fees	348	274
Motor vehicle running expense	2,712	3,068
Office expenses	4,572	3,516
AGM expenses	3,378	1,688
Subscription	588	761
Computer expenses	1,615	1,755
Loss on foreign exchange	514	18
Bank charges and commissions	168	406
Total other administration expenses	20,115	27,661
Total administrative expenses	179,344	188,324

2. ESTABLISHMENT EXPENSES

	2020 KSh'000	2019 KSh'000
Rent and rates	120	336
Insurance	1,795	3,069
Repair and maintenance	1,475	1,828
Depreciation of property and equipment	3,816	3,802
Amortisation of intangible assets	1,122	2,108
Total establishment expenses	8,328	11,143

3. RENTAL EXPENSES

	2020 KSh'000	2019 KSh'000
Water and electricity	-	1,080
Marketing expenses	120	1,377
Repairs and maintenance	5,457	86
Security	1,481	2,641
Professional fees	623	236
Miscellaneous expenses	1,390	809
Total rental expenses	9,071	6,229

SCHEDULE OF OPERATING EXPENDITURE (CONTINUED)

4. PROJECT EXPENSES	**2020 KSh'000**	**2019 KSh'000**
Telephone and internet	211	21
Printing and stationery	403	47
Travelling and accommodation	4,901	2,570
Depreciation	52	-
Miscellaneous project expenses	3,319	45
Total project expenses	8,886	2,683