

**ECHO NETWORK AFRICA LIMITED (A COMPANY LIMITED BY GUARANTEE)**  
**ANNUAL FINANCIAL STATEMENTS AND REPORTS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2023**

*Echo Network Africa Limited (A company limited by guarantee)*  
*Annual report and financial statements*  
*For the year ended 31st December 2023*

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*Echo Network Africa Limited (A company limited by guarantee)*  
*Company information*  
*For the year ended 31st December 2023*

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<b>Board of directors</b>	Dr Jennifer Riria Dr. Nyambura Koigi Oliver Waindi (Appointed 16/08/2023) Joyner Okonjo Selinah Jepkoech Kobogy (Retired 16/08/2023) Elizabeth Achola Mang'eni Jennifer Nyambura Kamande Verity Nyagah Ursula Lwosi Sore	Group CEO Chairperson
<b>Company secretary</b>	Winniefred Jumba Stanford Corporate Services LLP P.O. Box 10643 - 00100 Nairobi, Kenya.	
<b>Registered office</b>	L.R. No. 209/7713 Golf Course, Mucai Drive Ngong Road P.O. Box 55919 - 00200 Nairobi, Kenya.	
<b>Independent auditor</b>	RSM Eastern Africa LLP Certified Public Accountants 1st Floor, Pacis Centre Slip Road, off Waiyaki Way, Westlands P.O. Box 349 - 00606 Nairobi, Kenya.	
<b>Principal bankers</b>	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. 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.	
<b>Legal Advisor</b>	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 2023.

#### **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 Country went through a peaceful election period in late 2022 and economic activities picked up initially in the post-election period, during the reporting period 2023 there was a slowdown in growth momentum which was triggered by various domestic and external shocks. Kenya, like many other countries worldwide, was adversely affected by the impact of the Russia-Ukraine and the Israel-Hamas wars together with the global climate change impact. The war disrupted economic activities, leading to adverse economic performance globally. In addition, global developments saw a strengthening of the dollar in the world market, high cost of oil, and disruptions in global supply chains. Persistent drought situation in the Horn of Africa resulted to inflation levels in Kenya across the government target band, thus raising the cost of living. Furthermore, although public debt remained sustainable, it was at high risk of distress, calling for strenuous fiscal consolidation in attaining fiscal sustainability while supporting growth. All these external factors resulted to challenges such as disruption of normal business activities, low investor confidence, closure of businesses and generally a very uncondusive business environment in the year.

Echo Network Africa (ENA) operated within these global economic premises and the general performance of the Institution was impacted by this global outlook. During the reporting period there was a slight improvement on revenue generated in the year compared to the prior year. The fundraising resources were slightly lower (by 34%) than in the prior year. Fundraising efforts were enhanced during the year to reach out to the existing and new Development Partners through proposals, with funding expected towards the end of 2023 /early 2024. The Institution is currently targeting new Development Partners like Master Card Foundation, Federal Commonwealth and Development Office (FCDO), New Zealand Embassy etc. to support the Institutional expansion agenda in the subsequent year.

Rental incomes increased by approximately 27% from an occupancy rate of 16% in 2022 to 31% in the reporting year. This is expected to increase to around 50% before the end of 2024, as the Jennifer Riria Hub continues to attract new tenants through aggressive marketing strategies on going at the Hub.

The Associate company (KWFT Bank) has not paid dividends for more than 7 years running. The performance of the Bank has been wanting for quite some time now. Drastic measures ought to be taken to turn around the Bank performance in order to boost investors' confidence for growth and sustainability so that the bank can start giving Investors returns for their investments in the Bank.

#### **RISK ASSESSMENT AND MITIGATION STRATEGIES**

In the year 2023, we reflect on the dynamic landscape within which ENA operated and outline proactive approach to identifying, assessing, and addressing potential risks. Through a rigorous analysis of internal and external factors, we have identified key areas of vulnerability and developed robust mitigation strategies to protect the interests of our stakeholders and uphold our commitment to excellence.



**Business review (continued)**

**RISK ASSESSMENT AND MITIGATION STRATEGIES (CONTINUED)**

Our assessment encompasses a wide range of risks, including but not limited to financial, operational, regulatory, reputational, and strategic concerns to maintain a competitive edge in the market. With a focus on resilience and agility, we have implemented a multifaceted approach to risk mitigation that encompasses both preventive measures and responsive action plans.

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

- Economic conditions impacting negatively on Business growth
- Tenant rent default risk
- Revolving Loan fund for Aquaculture farming - inherent risks in the industry and the economic conditions.
- Adverse performance of the Associate Company impacting on the overall financial sustainability of ENA. Internal Controls that are not adequate resulting from economic, social and technology changes - continuously evaluated and enhanced.
- Low occupancy rate at the Jennifer Riria Hub and Tenancy retention risk
- Institutional Reputation- Negative publicity and members' dissatisfaction due to the non performance of the Associate Company.
- Funding risk- Reduced donor funds to undertake programme activities and interventions .

The Board's and staff commitment to continuous risk evaluation drives us to regularly refine our risk management strategies, ensuring that they remain effective and aligned to our organizational objectives. By fostering a culture of risk awareness and accountability, we empower our teams to identify and address risks real-time, thereby minimizing potential disruptions and maximizing opportunities for growth.

As we navigate the complexities of an ever-changing environment, we remain steadfast in our dedication to proactive risk management and transparent communication with our stakeholders. Through collaboration, innovation, and unwavering commitment to our core values, we are confident in our ability to navigate uncertainty and emerge stronger than ever before.

**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 678,000 has been charged to profit or loss in the year.

**By order of the board**

*W. Mumbwa*

.....  
Director/ Company secretary

For STAMFORD CORPORATE SERVICES LLP  
**SECRETARY**

Nairobi ..... *28th May* ..... 2024

*Echo Network Africa Limited (A company limited by guarantee)*  
*Statement of directors' responsibilities*  
*For the year ended 31st December 2023*

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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 Kenyan 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 ..... *25th May* ..... 2024 and signed on its behalf by:

.....  
*[Signature]*  
Director

.....  
*[Signature]*  
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

### Qualified Opinion

We have audited the accompanying financial statements of Echo Network Africa Limited (the "company"), set out on pages 7 to 28, which comprise the balance sheet as at 31st December 2023, 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 material 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 2023 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 qualified opinion

We draw attention to Note 18 to the financial statements which discloses that the Company has interest of 25% (2022: 25%) in the equity and voting rights of Kenya Women Microfinance Bank Limited (KWFT). The equity method of accounting in International Accounting Standard (IAS) 28, "Investments in Associates and Joint Ventures", requires Echo Network Africa Limited to adjust the carrying value of its investment in KWFT with its share of profit or loss for the reporting period.

As at 31 December 2022, this investment in associate was valued at KSh 916,352,000 with a reported share of loss at 25% of the KWFT Bank Net loss for the year then ended. However, by the time of concluding the audit for the year ended 31 December 2023 for Echo Network Africa Limited, the audit of the financial statements of KWFT had not yet been completed. Consequently, Echo Network Africa Limited has been unable to determine its share of profit or loss in KWFT for the financial year ended 31 December 2023 to determine the adjusted carrying value of this investment. Given this limitation, we were unable to perform sufficient alternative audit procedures to obtain reasonable assurance about the carrying value of the investment in KWFT and the related share of profit or loss for the financial year ended 31 December 2023 that would impact the company's retained earnings.

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 (including International Independence Standards)* (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.



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

**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.

**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

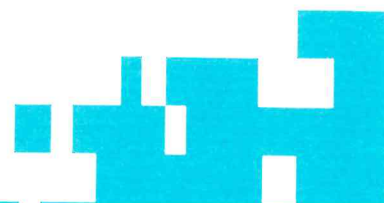


for and on behalf of RSM Eastern Africa LLP  
Certified Public Accountants  
Nairobi

28 May

..... 2024

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**PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST DECEMBER 2023**

	Note	2023 KSh'000	2022 KSh'000
Revenue	4	109,625	100,996
Other income	5	2,104	1,304
Grant income	6	28,265	42,675
Fair value gain on revaluation of assets	7	17,746	1,851
Administrative expenses		(222,010)	(196,325)
Establishment expenses		(9,107)	(7,819)
Rental expenses		(17,656)	(12,825)
Project expenses		(32,012)	(41,905)
Share of (loss)/profit in associate	18	-	(12,292)
<b>Loss before tax</b>	8	(123,045)	(124,340)
Tax expense	9	(25,909)	(47,731)
<b>Loss for the year attributable to members</b>		(148,954)	(172,071)
<b>Other comprehensive income</b>			
<u>Items that will not be reclassified subsequently to profit or loss:</u>			
Surplus on revaluation of property and equipment	11	1,224	1,796
Deferred income tax relating to items that will not be	11	(367)	(539)
<b>Other comprehensive income for the year, net of tax</b>		857	1,257
<b>Total comprehensive loss for the year attributable to members</b>		(148,097)	(170,814)

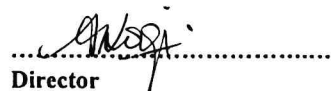
BALANCE SHEET AT 31ST DECEMBER 2023

	Note	2023 KSh'000	2022 KSh'000
<b>EQUITY</b>			
Fund balance	10	1,586,102	1,586,102
Revaluation surplus	11	145,088	144,231
Revolving fund reseve	12	15,830	15,480
Retained earnings		<u>1,368,573</u>	<u>1,517,527</u>
<b>Total equity</b>		<u>3,115,593</u>	<u>3,263,340</u>
<b>Non-current liabilities</b>			
Deferred tax	13	<u>97,250</u>	<u>94,183</u>
		<u>3,212,843</u>	<u>3,357,523</u>
<b>REPRESENTED BY</b>			
<b>Non-current assets</b>			
Property and equipment	14	223,054	213,914
Investment property	15	1,278,000	1,260,000
Intangible assets	16	4	11
Financial assets	17	24,809	25,063
Investment in associate	18	916,352	916,352
Revolving fund advances	19	<u>13,616</u>	<u>13,870</u>
		<u>2,455,835</u>	<u>2,429,210</u>
<b>Current assets</b>			
Other receivables	20	110,165	109,667
Current tax recoverable		14,968	21,536
Short-term bank deposits	21	655,034	-
Cash at bank and in hand	22	<u>67,449</u>	<u>868,737</u>
		<u>847,616</u>	<u>999,940</u>
<b>Current liabilities</b>			
Other payables	23	<u>90,608</u>	<u>71,627</u>
<b>Net current asset</b>		<u>757,008</u>	<u>928,313</u>
		<u>3,212,843</u>	<u>3,357,523</u>

The financial statements on pages 7 to 28 were authorised for issue by the board of directors on 28<sup>th</sup> May 2024 and were signed on its behalf by:



Director



Director

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2023**

	<b>Fund balance KSh'000</b>	<b>Revolving fund reserve KSh'000</b>	<b>Revaluation surplus KSh'000</b>	<b>Retained earnings KSh'000</b>	<b>Total KSh'000</b>
<b>At 1st January 2022</b>	1,586,102	10,790	142,974	1,689,598	3,429,464
Loss and comprehensive income for the year	-	-	-	(172,071)	(172,071)
Contribution during the year	-	4,690	-	-	4,690
Surplus on revaluation of property and equipment	-	-	1,796	-	1,796
Deferred income tax relating to items that will not be reclassified	-	-	(539)	-	(539)
<b>At 31st December 2022</b>	<u>1,586,102</u>	<u>15,480</u>	<u>144,231</u>	<u>1,517,527</u>	<u>3,263,340</u>
<b>At 1st January 2023</b>	1,586,102	15,480	144,231	1,517,527	3,263,340
Loss and comprehensive income for the year	-	-	-	(148,954)	(148,954)
Contribution during the year	-	350	-	-	350
Surplus on revaluation of property and equipment	-	-	1,224	-	1,224
Deferred income tax relating to items that will not be reclassified	-	-	(367)	-	(367)
<b>At 31st December 2023</b>	<u>1,586,102</u>	<u>15,830</u>	<u>145,088</u>	<u>1,368,573</u>	<u>3,115,593</u>

**STATEMENT CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2023**

	Note	2023 KSh'000	2022 KSh'000
<b>Cash flows from operating activities</b>			
Loss for the year		(148,954)	(172,071)
Adjustments for:			
Tax expense	9	25,909	47,731
Depreciation of property and equipment	14	4,036	4,312
Amortisation of intangible assets	16	7	23
Fair value (gain)/loss on revaluation of assets	7	(17,746)	(1,851)
Share of loss/(profit) in associate	18	-	12,292
<b>Operating loss before working capital changes</b>		<b>(136,748)</b>	<b>(109,564)</b>
Decrease in other receivables		(498)	305
Increase in other payables		18,981	24,576
<b>Cash used in operations</b>		<b>(118,265)</b>	<b>(84,683)</b>
Income tax paid		(16,641)	(33,943)
<b>Net cash used in operating activities</b>		<b>(134,906)</b>	<b>(118,626)</b>
<b>Cash flows from investing activities</b>			
Increase in short-term bank deposits	21	(655,034)	-
Purchase of property and equipment	14	(11,952)	(2,520)
Purchase of investment property	15	-	(3,318)
Net movement in revolving fund advances		254	(6,135)
Disposal of associate		-	1,000
<b>Net cash used in from investing activities</b>		<b>(666,732)</b>	<b>(10,973)</b>
<b>Cash flows from financing activities</b>			
Addition to revolving funds		350	4,690
<b>Net cash generated from financing activities</b>		<b>350</b>	<b>4,690</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(801,288)</b>	<b>(124,909)</b>
<b>Cash and cash equivalents at start of year</b>		<b>868,737</b>	<b>993,646</b>
<b>Cash and cash equivalents at end of year</b>	21	<b>67,449</b>	<b>868,737</b>



## NOTES

### 1. Material accounting policy information

The accounting policy information considered material in the preparation of these financial statements is 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 material accounting policy information summarised 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

One new Standard and five Amendments to standards became effective for the first time in the financial year beginning 1st January 2023 and have been adopted by the Company.

Of the five amendments, the Company had applied the following two Amendments early, in 2021:

##### **Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)**

The amendments require entities to disclose their material accounting policy information rather than their significant accounting policies.

**NOTES (CONTINUED)**

**1. Material accounting policy information (continued)**

**b) New and revised standards (continued)**

**Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)**

The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Neither the new Standard nor the other three amendments have had an impact on the Company's financial statements.

**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 2023, and the Directors do not plan to apply any of them until they become effective. Note 24 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.

Registration fees 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.

**Current tax**

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.

**NOTES (CONTINUED)**

**1. Material accounting policy information (continued)**

**e) Income tax (continued)**

Deferred income tax

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.

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.

**NOTES (CONTINUED)**

**1. Material accounting policy information (continued)**

**f) Financial instruments (continued)**

Initial measurement

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;

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 loss.

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.

**NOTES (CONTINUED)**

**1. Material accounting policy information (continued)**

**f) Financial instruments (continued)**

Derecognition

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.

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. Material accounting policy information (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 KSh'000	Lifetime expected credit losses (see note below)			Total KSh'000
		(a) KSh'000	(b) KSh'000	(c) KSh'000	
<b>31st December 2023</b>					
Financial assets	21,584	-	-	-	21,584
Other receivables	107,344	-	-	-	107,344
Revolving fund advances	13,616	-	-	-	13,616
Cash at bank	67,449	-	-	-	67,449
Gross carrying amount	209,993	-	-	-	209,993
Loss allowance	-	-	-	-	-
Exposure to credit risk	<u>209,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>209,993</u>
	12-month expected credit losses KSh'000	Lifetime expected credit losses (see note below)			Total KSh'000
		(a) KSh'000	(b) KSh'000	(c) KSh'000	
<b>31st December 2022</b>					
Financial assets	21,584	-	-	-	21,584
Other receivables	107,184	-	-	-	107,184
Revolving fund advances	13,870	-	-	-	13,870
Cash at bank	868,737	-	-	-	868,737
Gross carrying amount	1,011,375	-	-	-	1,011,375
Loss allowance	-	-	-	-	-
Exposure to credit risk	<u>1,011,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,011,375</u>



**NOTES (CONTINUED)**

<b>11. Revaluation surplus</b>	<b>2023</b>	<b>2022</b>
	<b>KSh'000</b>	<b>KSh'000</b>
At start of year	144,231	142,974
Surplus on revaluation of property and equipment	1,224	1,796
Deferred income tax relating to items that will not be reclassified	(367)	(539)
At end of year	<u>145,088</u>	<u>144,231</u>

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

<b>12. Revolving fund reserve</b>	<b>2023</b>	<b>2022</b>
	<b>KSh'000</b>	<b>KSh'000</b>
At start of year	15,480	10,790
Contribution during the year	350	4,690
At end of year	<u>15,830</u>	<u>15,480</u>

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 aquaculture activities.

**13. Deferred income tax**

Deferred tax is calculated using the enacted rate of 30% (2022: 30%).

Deferred tax assets and liabilities, deferred tax charge/(credit) in the profit and loss account are attributable to the following items:

<b>Year ended 31st December 2023</b>	<b>At 1st</b>	<b>Charged to</b>	<b>Charged</b>	<b>At 31st</b>
	<b>January</b>	<b>other</b>	<b>to profit &amp; loss</b>	<b>December</b>
	<b>KSh'000</b>	<b>comprehensive</b>	<b>KSh'000</b>	<b>KSh'000</b>
		<b>KSh'000</b>		
<b>Deferred income tax liability</b>				
Revaluation of property and equipment	56,538	367	-	56,905
Revaluation of investment property	37,645	-	2,700	40,345
<b>Net deferred tax liability</b>	<u>94,183</u>	<u>367</u>	<u>2,700</u>	<u>97,250</u>
<b>Year ended 31st December 2022</b>				
<b>Deferred income tax liability</b>				
Revaluation of property and equipment	55,999	539	-	56,538
Revaluation of investment property	12,464	-	25,181	37,645
<b>Net deferred tax liability</b>	<u>68,463</u>	<u>539</u>	<u>25,181</u>	<u>94,183</u>

NOTES (CONTINUED)

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.

	Less than one month KSh'000	Between 1-3 months KSh'000	Between 3-12 months KSh'000	Over 1 year KSh'000
<b>31st December 2023</b>				
Other payables	28,979	-	59,494	-
	Less than one month KSh'000	Between 1-3 months KSh'000	Between 3-12 months KSh'000	Over 1 year KSh'000
<b>31st December 2022</b>				
Other payables	14,348	-	42,257	-

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.

Interest rate risk

Interest rate risk is the risk that the company's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from 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 2024 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 4,997,000 (2022: KSh 5,892,000) 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 2024 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 322,500 (2022: KSh 348,000).

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.

	2023 KSh'000	2022 KSh'000
<b>4. Revenue</b>		
Interest income on fixed deposits	79,760	77,549
Rental income	29,865	23,447
	<u>109,625</u>	<u>100,996</u>
<b>5. Other income</b>		
Registration fees	95	33
Dividends received from investments in quoted shares	362	804
Other income	1,647	467
	<u>2,104</u>	<u>1,304</u>
<b>6. Grant income</b>		
UN Women	10,769	25,045
Open Society Foundation (OSF) - Aquaculture	7,487	5,095
Grand Challenges Canada (GCC)	4,562	4,146
Hanns Seidel Foundation	2,757	1,356
Meda	1,469	1,779
Uraia	-	1,226
Amref	1,221	4,028
	<u>28,265</u>	<u>42,675</u>
<b>7. Changes in fair value</b>		
These comprise changes in fair value of:		
Investment property	18,000	1,682
Financial assets measured at fair value through profit and loss	(254)	169
	<u>17,746</u>	<u>1,851</u>

**NOTES (CONTINUED)**

**8. Loss before tax**

	<b>2023</b>	<b>2022</b>
	<b>KSh'000</b>	<b>KSh'000</b>
<b>(a) Items charged</b>		
The following items have been charged in arriving at loss before tax:		
Employee benefits expense (Note 8(b))	179,668	160,051
Depreciation of property and equipment	4,036	4,312
Amortisation of intangible assets	7	23
	<u>179,668</u>	<u>160,051</u>

**(b) Employee benefits expense**

The following items are included in employee benefits expense:

Salaries and wages	148,603	148,370
Retirement benefit costs:		
- National Social Security Fund	382	97
- Staff gratuity	30,683	11,584
	<u>179,668</u>	<u>160,051</u>

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

	<b>2023</b>	<b>2022</b>
	<b>Number</b>	<b>Number</b>
Finance	6	6
Programmes	7	9
Information, Communication and Technology	2	2
Corporate	9	9
Talent and administration	6	6
Total	<u>30</u>	<u>32</u>

**9. Tax expense**

	<b>2023</b>	<b>2022</b>
	<b>KSh'000</b>	<b>KSh'000</b>
Current tax	23,209	22,550
Deferred tax (Note 13)	2,700	25,181
Income tax expense	<u>25,909</u>	<u>47,731</u>

The tax expense for the year differs from the theoretical amount that would result from applying the statutory tax rate of 30% to loss before tax as follows:

<b>Loss before tax</b>	<u>(123,045)</u>	<u>(124,340)</u>
Tax calculated at the statutory rate of 30%	(36,914)	(37,302)
Tax effect of:		
Expenses not deductible for tax purposes	84,236	81,350
Change in tax rate	-	24,929
Income not subject to tax	(12,454)	(21,246)
Income tax expense	<u>34,868</u>	<u>47,731</u>

**10. Fund balance**

	<b>2023</b>	<b>2022</b>
	<b>KSh'000</b>	<b>KSh'000</b>
At start and end of year	<u>1,586,102</u>	<u>1,586,102</u>

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

**NOTES (CONTINUED)**

**14. Property and equipment**

	Land and buildings KSh'000	Capital work in progress KSh'000	Computer equipment KSh'000	Motor vehicles KSh'000	Furniture, fitting and office equipments KSh'000	Total KSh'000
<b>At 1st January 2022</b>						
Cost or valuation	206,156	-	8,893	27,299	14,705	257,053
Accumulated depreciation	(1,796)	-	(7,767)	(20,413)	(13,167)	(43,143)
Net carrying value	204,360		1,126	6,886	1,538	213,910
<b>Year ended 31st December 2022</b>						
Opening carrying value	204,360	-	1,126	6,886	1,538	213,910
Additions	-	-	1,753	-	767	2,520
Revaluation	1,796	-	-	-	-	1,796
Depreciation charge	(1,796)	-	(919)	(1,030)	(567)	(4,312)
Closing carrying value	204,360	-	1,960	5,856	1,738	213,914
<b>At 31st December 2022</b>						
Cost or valuation	206,156	-	10,528	27,299	15,472	259,455
Accumulated depreciation	(1,796)	-	(8,568)	(21,443)	(13,734)	(45,541)
Net carrying value	204,360	-	1,960	5,856	1,738	213,914
<b>Year ended 31st December 2023</b>						
Opening carrying value	204,360	-	1,960	5,856	1,738	213,914
Additions	1,376	7,425	1,660	-	1,491	11,952
Revaluation	1,224	-	-	-	-	1,224
Depreciation charge	(1,224)	-	(1,168)	(1,030)	(614)	(4,036)
Closing carrying value	205,736	7,425	2,452	4,826	2,615	223,054
<b>At 31st December 2023</b>						
Cost or valuation	205,736	7,425	12,188	27,299	16,963	269,611
Accumulated depreciation	-	-	(9,736)	(22,473)	(14,348)	(46,557)
Net carrying value	205,736	7,425	2,452	4,826	2,615	223,054

Leasehold land and buildings were valued (Level 2) on 31st December 2023 by Crystal Valuers Limited, independent valuers, on the basis of open market value. There was no revaluation gain or loss recognised in the current year.

The annual depreciation rates used are as follows:

	<b>Rate - %</b>
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**

	<b>Leasehold land KSh'000</b>	<b>Buildings KSh'000</b>	<b>Total KSh'000</b>
<b>Year ended 31st December 2023</b>			
At 1st January	240,000	1,020,000	1,260,000
Fair value gain	9,000	9,000	18,000
At 31st December	<u>249,000</u>	<u>1,029,000</u>	<u>1,278,000</u>
<b>Year ended 31st December 2022</b>			
At 1st January	240,000	1,015,000	1,255,000
Additions	-	3,318	3,318
Fair value loss	-	1,682	1,682
At 31st December	<u>240,000</u>	<u>1,020,000</u>	<u>1,260,000</u>

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 2023.

**16. Intangible assets**

	<b>2023 KSh'000</b>	<b>2022 KSh'000</b>
<b>Cost</b>		
At 1st January	<u>8,625</u>	<u>8,625</u>
At 31st December	<u>8,625</u>	<u>8,625</u>
<b>Amortisation</b>		
At 1st January	8,614	8,591
Charge for the year	7	23
At 31st December	<u>8,621</u>	<u>8,614</u>
<b>Net book value</b>		
At 31st December	<u>4</u>	<u>11</u>

The annual amortisation rate used is 20%.

**NOTES (CONTINUED)**

**17. Financial assets**

<b>Non- Current</b>	<b>2023</b> <b>KSh'000</b>	<b>2022</b> <b>KSh'000</b>
Treasury bonds	21,584	21,584
Equity instruments	<u>3,225</u>	<u>3,479</u>
	<u><u>24,809</u></u>	<u><u>25,063</u></u>

The fair values of government securities are based on prices published by brokers (Level 2).

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

<u>Financial instruments measured at fair value through profit or loss</u>	<b>2023</b> <b>KSh'000</b>	<b>2022</b> <b>KSh'000</b>
Equity instruments	<u>3,225</u>	<u>3,479</u>

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

At start of year	3,479	3,310
Gain on revaluation recognised in the profit or loss	<u>(254)</u>	<u>169</u>
At end of year	<u><u>3,225</u></u>	<u><u>3,479</u></u>

**18. Investment in associate**

At 1st January	916,352	929,644
Share of (loss)/profit for the year*	-	(12,292)
Disposal of shares	<u>-</u>	<u>(1,000)</u>
At 31st December	<u><u>916,352</u></u>	<u><u>916,352</u></u>

The company's has an interest of 25% (2022: 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.

<b>19. Revolving fund advances</b>	<b>2023</b> <b>KSh'000</b>	<b>2022</b> <b>KSh'000</b>
At 1st January	13,870	7,735
Advances during the year	2,999	7,913
Repayments	<u>(3,253)</u>	<u>(1,778)</u>
At 31st December	<u><u>13,616</u></u>	<u><u>13,870</u></u>

**NOTES (CONTINUED)**

<b>20. Other receivables</b>	<b>2023</b>	<b>2022</b>
	<b>KSh'000</b>	<b>KSh'000</b>
Prepayments	2,821	2,483
Other receivables	107,344	107,184
	<u>110,165</u>	<u>109,667</u>
<b>21. Short-term bank deposits</b>		
Deposits with banking institutions (maturity > 90 days)	<u>655,034</u>	<u>-</u>
<b>22. Cash and cash equivalents</b>	<b>2023</b>	<b>2022</b>
	<b>KSh'000</b>	<b>KSh'000</b>
For the purpose of the statement of cash flow, cash and cash equivalents comprise the following:		
Cash and current account balances	8,084	27,081
Deposits with financial institutions	59,365	841,656
	<u>67,449</u>	<u>868,737</u>
<b>23. Other payables</b>		
Other payables and accruals	28,979	14,348
Provision for gratuity	56,514	37,554
Provision for leave	2,980	4,703
Deferred income	2,135	15,022
	<u>90,608</u>	<u>71,627</u>
<b>24. Related party transactions</b>		
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:		
i) Interest income	<b>2023</b>	<b>2022</b>
	<b>KSh'000</b>	<b>KSh'000</b>
Interest from fixed deposit	<u>3,654</u>	<u>11,642</u>
ii) Director's remuneration		
- as executives	67,712	56,167
- fees	3,448	3,147
	<u>71,160</u>	<u>59,314</u>
iii) Key management compensation	<u>100,512</u>	<u>84,529</u>
iv) Outstanding balances arising from sale and purchase of goods/services		
Loans and advances to other employees	<u>9,168</u>	<u>10,259</u>
Investment in fixed deposits	<u>16,477</u>	<u>86,233</u>



**NOTES (CONTINUED)**

**25. 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 2023.

**Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)**

The amendments, applicable to annual periods beginning on or after 1st January 2024, 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.

**Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)**

The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.

**Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)**

The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.

**Amendments to IAS 7 and IFRS 7 titled Supplier Finance Arrangements (issued in May 2023)**

The amendments, applicable to annual periods beginning on or after 1st January 2024, require an entity to provide additional disclosures about its supplier finance arrangements.

**Amendments to IAS 21 titled Lack of Exchangeability (issued in August 2023)**

The amendments, applicable to annual periods beginning on or after 1st January 2025, require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.

**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.

**Amendments to IAS 8 titled Definition of Accounting Estimates (issued in February 2021)**

The amendments introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.

**Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)**

The amendments require entities to disclose their material accounting policy information rather than their significant accounting policies.

**Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)**

The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

**NOTES (CONTINUED)**

**24. New and revised financial reporting standards (Continued)**

**Amendments to IFRS 9 and IFRS 17 titled Initial application of IFRS 17 and IFRS 9 – Comparative Information (issued in December 2021)**

The amendments, applicable on initial application of IFRS 17, add a transition option relating to comparative information about financial assets presented on initial application of IFRS 17.

**Amendments to IAS 12 entitled International Tax Reform - Pillar Two Model Rules (issued in May 2023)**

The amendments introduced a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes and targeted disclosure requirements for affected entities.

*Echo Network Africa Limited (A company limited by guarantee)*  
*Supplementary information*  
*For the year ended 31st December 2023*

**SCHEDULE OF OPERATING EXPENDITURE**

<b>1. ADMINISTRATIVE EXPENSES</b>	<b>2023</b>	<b>2022</b>
	<b>KSh'000</b>	<b>KSh'000</b>
<b>Employment:</b>		
Salaries and wages	77,825	89,153
Staff gratuity	30,683	11,584
Staff medical insurance	8,618	8,190
Provision for leave	(1,716)	487
<b>Total employment costs</b>	<u>115,410</u>	<u>109,414</u>
<b>Other administration expenses:</b>		
Director's remuneration	71,160	59,314
Postage and telephone	1,907	1,591
Entertainment and travel	5,044	2,031
Printing and stationery	1,334	1,469
Advertising and marketing expenses	3,841	2,384
Audit fees		
- Current year	678	710
- Under provision in prior year	112	-
Legal and professional fees	1,271	711
Secretarial fees	365	643
Motor vehicle running expense	1,798	1,131
Office expenses	9,125	5,237
AGM expenses	6,693	4,552
Subscription	87	91
Computer expenses	2,327	3,615
(Gain)/loss on foreign exchange	(238)	(39)
Bank charges and commissions	953	621
Donations	-	2,766
Capital gains tax	143	-
Fines and penalties	-	84
<b>Total other administration expenses</b>	<u>106,600</u>	<u>86,911</u>
<b>Total administrative expenses</b>	<u>222,010</u>	<u>196,325</u>
<b>2. ESTABLISHMENT EXPENSES</b>		
Rent and rates	187	128
Insurance	2,883	2,007
Repair and maintenance	1,994	1,388
Depreciation of property and equipment	4,036	4,273
Amortisation of intangible assets	7	23
<b>Total establishment expenses</b>	<u>9,107</u>	<u>7,819</u>
<b>3. RENTAL EXPENSES</b>		
Repairs and maintenance	10,196	7,956
Security	1,587	1,576
Professional fees	716	108
Electricity and water	2,534	1,610
Insurance	2,145	1,575
Marketing expenses	478	-
<b>Total rental expenses</b>	<u>17,656</u>	<u>12,825</u>

*Echo Network Africa Limited (A company limited by guarantee)*  
*Supplementary information*  
*For the year ended 31st December 2023*

**SCHEDULE OF OPERATING EXPENDITURE (CONTINUED)**

<b>4. PROJECT EXPENSES</b>	<b>2023</b>	<b>2022</b>
	<b>KSh'000</b>	<b>KSh'000</b>
Telephone and internet	226	103
Printing and stationery	1,056	804
Travelling and accommodation	18,168	29,661
Depreciation	-	39
Professional and consultancy fees	8,574	4,185
Miscellaneous project expenses	3,988	7,113
<b>Total project expenses</b>	<b>32,012</b>	<b>41,905</b>