

KENYA RUGBY FOOTBALL UNION
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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UNION INFORMATION

DIRECTORS	: Alexander K. Mutai	Chairman
	: Moses Ndale	Vice Chairman
	: Raymond Olendo	Hon. Secretary
	: Joshua Aroni	Hon. Treasurer
	: Moses Mukabane	Director
	: Harriet Okach	Director
	: Leslie Mwangale	Director
	: John Kilonzo	Director
	: Humphrey Kayange	Director
	: Ochieng Ahaya	Director
	: Wanjiku Wairia	Director
	: Alice Zawadi	Director
	: Kairo Thuo	Director
	: Nisha Van Hoek	Director
	: Thomas Odundo	Ag Chief Executive Officer

**REGISTERED OFFICE
AND PRINCIPAL PLACE
OF BUSINESS**

: Kenya Rugby Football Union	
: RFUEA Grounds Ngong Road	
: P.O. Box 48322, 00100	
: NAIROBI	
: Telephone	- (254) 714/724256179
: Email	- info@kru.co.ke
: Website	- www.kru.co.ke

INDEPENDENT AUDITOR

: PKF Kenya LLP
: Certified Public Accountants
: P.O. Box 14077, 00800
: NAIROBI

PRINCIPAL BANKER

: Stanbic Bank Limited
: NAIROBI

REPORT OF THE DIRECTORS

The directors submit their annual report along with the audited financial statements for the year ended 31 December 2023, which disclose the state of affairs of the union.

PRINCIPAL ACTIVITIES

The principal activities of the union are those of developing, managing and promoting the game of rugby football in Kenya.

BUSINESS REVIEW

During the year, the total income of the union increased from Shs. 303,724,945 to Shs. 420,526,467. This was mainly attributed to more sponsorships onboarded in current year as compared to prior year.

Key performance indicators	2023	2022
Total income (Shs.)	<u>420,526,467</u>	<u>303,724,945</u>
(Deficit) for the year (Shs.)	<u>(30,011,473)</u>	<u>(63,752,063)</u>
Net (liabilities) (Shs.)	<u>(127,447,777)</u>	<u>(97,436,304)</u>

PRINCIPAL RISKS AND UNCERTAINTIES

The overall business environment continues to remain challenging and this has a resultant effect on the union's activities. The union's strategic focus is to seek more funding from sponsors to maintaining their core activities, the success of which remains dependent on overall market conditions.

In addition to the business risks discussed above, the union's activities expose it to a number of financial risks including credit risk, cash flow and liquidity risk as set out below:

Credit risk

The union's principal financial assets are cash and bank balances and receivables. The union's credit risk is primarily attributable to its receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on cash and bank balances is limited because the counterparties are banks with a sound history. The union has no significant concentration of credit risk, with exposure spread over various different banks.

Cash flows and foreign currency risk

The majority of the union's sponsor income is in foreign currency and is exposed to foreign currency risk. This risk is managed through appropriate operational offset of open receivable and payable foreign currency positions.

REPORT OF THE DIRECTORS (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the union monitors its need for cash on a regular basis and takes appropriate action through banking financing arrangements.

DIRECTORS

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

STATEMENT AS TO DISCLOSURE TO THE UNION'S AUDITOR

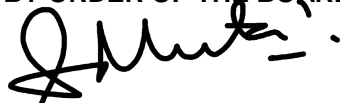
With respect to each director at the time this report was approved:

- (a) there is, so far as the person is aware, no relevant audit information of which the union's auditor is unaware; and
- (b) the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the union's auditor is aware of that information.

TERMS OF APPOINTMENT OF THE AUDITOR

PKF Kenya LLP continues in office in accordance with the Section 47 of the Sports Act, 2013. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fee.

BY ORDER OF THE BOARD



**CHAIRMAN
NAIROBI**

18 March 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the union as at the end of the financial year and of its surplus or deficit for that year. The directors are also required to ensure that the union maintains proper accounting records that are sufficient to show and explain the transactions of the union; that disclose, with reasonable accuracy, the financial position of the union and that enable them to prepare financial statements that comply with the International Financial Reporting Standard for Small and Medium-sized Entities. The directors are also responsible for safeguarding the assets of the union and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and fair presentation of financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities. It also accepts responsibility for:

- i. Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error;
- ii. Selecting and applying appropriate accounting policies; and
- iii. Making accounting estimates and judgements that are reasonable in the circumstances.

The directors confirm that the financial statements give a true and fair view of the financial position of the union as at 31 December 2023 and of the union's financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

In preparing these financial statements the directors have assessed the union's ability to continue as a going concern as set out in Note 2 to the financial statements. The directors are of the opinion that the union will remain a going concern for at least the next twelve months from the date of this statement based on the factors described in Note 2.

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

Approved by the directors on 18 March 2024 and signed on their behalf by:



CHAIRMAN



HONORARY SECRETARY



REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF KENYA RUGBY FOOTBALL UNION

Opinion

We have audited the financial statements of Kenya Rugby Football Union set out on pages 8 to 22, which comprise the statement of financial position as at 31 December 2023, and the statement of income and expenditure and accumulated fund and statement of cash flows for the year then ended, and notes to the financial statements, 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 union as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. 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 union 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 other 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.

Material uncertainty related to going concern

Without modifying our opinion, we draw attention to Note 2 in the financial statements, which indicates that the union's current liabilities exceeded its current assets by Shs. 139,406,195 (2022: Shs. 87,468,326) and there was a deficit in accumulated fund of Shs. 127,447,777 (2022: Shs. 97,436,304). As a result of this, management has been unable to meet the suppliers' obligations of Shs. 39 million that has been outstanding for a number of years. As stated in Note 2, these conditions indicate that a material uncertainty exists that may cast significant doubt on the union's ability to continue as a going concern. The financial statements have been prepared on a going concern basis based on the factors described in Note 2 to the financial statements.

Emphasis of matter

We draw attention to Note 3(a) of the financial statements, which state that the management has breached covenants under the CAREITAS loan agreement. Our opinion is not modified in respect of this matter.



REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF KENYA RUGBY FOOTBALL UNION (CONTINUED)

Other information

The board of directors are responsible for the other information. The other information comprises the report of the directors, statement of directors' responsibilities and analysis of annual competition and national squads income that form part of 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.

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.

Responsibilities of directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities 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 union'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 union 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 the International Standards on Auditing 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 the International Standards on Auditing, we exercise professional judgement and maintain professional skepticism 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 union's internal control.



**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF KENYA RUGBY FOOTBALL UNION (CONTINUED)**

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' 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 union'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 our auditor's report. However, future events or conditions may cause the union 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.

The engagement partner responsible for the audit resulting in this report of the independent auditor is CPA Patrick Kuria, Practicing certificate No. 2045

A handwritten signature in blue ink, appearing to read 'Patrick Kuria', written over a horizontal line.

**For and on behalf of PKF Kenya LLP
Certified Public Accountants
Nairobi, Kenya**

March 18, 2024

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STATEMENT OF INCOME AND EXPENDITURE AND ACCUMULATED FUND

	Notes	2023 Shs	2022 Shs
Income	4	415,922,485	298,898,606
Other income	5	4,603,982	4,826,339
Total income		<u>420,526,467</u>	<u>303,724,945</u>
Expenditure			
National squad operations	6	138,473,365	194,525,708
Annual competitions	7	257,545,515	118,190,619
Rugby development	8	14,658,990	12,237,719
Administrative expenses	9	19,853,193	30,334,350
Establishment expenses	10	4,270,565	6,782,086
Finance costs	11	15,736,312	5,406,526
Total expenditure		<u>450,537,940</u>	<u>367,477,008</u>
(Deficit) before tax		(30,011,473)	(63,752,063)
Tax	12	-	-
(Deficit) for the year		(30,011,473)	(63,752,063)
Accumulated (deficit) at start of year		<u>(97,436,304)</u>	<u>(33,684,241)</u>
Accumulated (deficit) at end of year		<u><u>(127,447,777)</u></u>	<u><u>(97,436,304)</u></u>


The notes on pages 11 to 22 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

STATEMENT OF FINANCIAL POSITION

	Notes	2023 Shs	2022 Shs
ACCUMULATED FUND			
Accumulated (deficit)		<u>(127,447,777)</u>	<u>(97,436,304)</u>
Non-current liabilities			
Borrowings	20	-	24,674,000
Deferred capital grants	13	<u>317,924</u>	<u>377,822</u>
		<u>317,924</u>	<u>25,051,822</u>
		<u>(127,129,853)</u>	<u>(72,384,482)</u>
REPRESENTED BY			
Non-current assets			
Property and equipment	14	12,276,342	15,083,844
Intangible assets	15	<u>-</u>	<u>-</u>
		<u>12,276,342</u>	<u>15,083,844</u>
Current assets			
Receivables	16	32,403,073	14,762,354
Cash and cash equivalents	17	6,961,922	16,002,153
Other financial assets	18	<u>1,055,152</u>	<u>96,465</u>
		<u>40,420,147</u>	<u>30,860,972</u>
Current liabilities			
Trade and other payables	19	123,021,966	97,724,061
Borrowings	20	<u>56,804,376</u>	<u>20,605,237</u>
		<u>179,826,342</u>	<u>118,329,298</u>
Net current (liabilities)		<u>(139,406,195)</u>	<u>(87,468,326)</u>
		<u>(127,129,853)</u>	<u>(72,384,482)</u>

The financial statements on pages 8 to 22 were approved and authorised for issue by the board of directors on 18 March 2024 and signed on its behalf by:


CHAIRMAN

The notes on pages 11 to 22 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

STATEMENT OF CASH FLOWS

	Notes	2023 Shs	2022 Shs
Operating activities			
Reconciliation of surplus to cash from operations:			
(Deficit) for the year		(30,011,473)	(63,752,063)
Adjustments for:			
Depreciation on property and equipment	14	2,877,003	3,728,529
Interest expense	20	5,064,207	2,940,169
Foreign exchange loss		6,082,280	4,413,408
- receivables		(17,640,719)	(10,246,066)
- trade and other payables		25,297,904	30,729,618
- deferred income		-	(3,982,788)
- deferred capital grants	13	<u>(59,898)</u>	<u>(25,918)</u>
Cash (used in) from operations		(8,390,696)	(36,195,111)
Interest paid	20	<u>(71,355)</u>	<u>(172,669)</u>
Net cash (used in) operating activities		<u>(8,462,051)</u>	<u>(36,367,780)</u>
Investing activities			
Purchase of property and equipment	14	<u>(69,500)</u>	<u>(170,000)</u>
Net cash (used in) investing activities		<u>(69,500)</u>	<u>(170,000)</u>
Financing activities			
Proceeds from borrowings	20	-	39,972,968
Repayments of borrowings	20	<u>(3,920,223)</u>	<u>(1,499,777)</u>
Net cash (used in)/from financing activities		<u>(3,920,223)</u>	<u>38,473,191</u>
(Decrease)/increase in cash and cash equivalents		<u>(12,451,774)</u>	<u>1,935,411</u>
Movement in cash and cash equivalents			
At start of year		14,526,429	14,538,069
(Decrease)/increase		(12,451,774)	1,935,411
Effect of exchange rate changes		<u>4,589,825</u>	<u>(1,947,051)</u>
At end of year	17	<u>6,664,480</u>	<u>14,526,429</u>

The notes on pages 11 to 22 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

NOTES

1. General information

Kenya Rugby Football Union was incorporated in Kenya under the Societies Act and subsequently registered under Section 47 of the Sports Act, 2013, and is domiciled in Kenya. The address of its registered office is set out on page 1.

The principal activities of the union are those of developing, managing and promoting the game of rugby football in Kenya.

2. Basis of preparation

The financial statements of Kenya Rugby Football Union have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities issued by the International Accounting Standards Board and are consistent with previous period. They have been prepared under the historical cost convention and are presented in Kenya Shillings.

The preparation of financial statements in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the organisation's accounting policies.

Areas involving a high degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3(a).

Going concern

The financial performance of the union is set out in the report of the directors and in the statement of income and expenditure and accumulated fund. The financial position of the union is set out in the statement of financial position. Disclosures in respect of principal risks and uncertainties are included within the report of the directors.

At the date of this report, the union's current liabilities exceeded current assets by Shs. 139,406,195 (2022: Shs. 87,468,326) and there was a deficit in the accumulated fund of Shs. 127,447,777 (2022: Shs. 97,436,304). Whilst the above conditions indicate the existence of a material uncertainty that might cast significant doubts about the union's ability to continue as a going concern, the directors have considered the following in preparing the financial statements on a going concern basis:

- i) The union is currently negotiating with various corporates with a view to secure new partnerships. As up to date, the corporates that are about to be onboarded include Mpesa for support of Shs. 54 million annually, DR Foundation support of Shs. 12.5 million annually, Haco Industries Kenya Limited support of Shs. 10 million annually, Fibre support of Shs. 30 million annually, Sportpesa support of Shs. 43 million.
- ii) The union has continued to engage with WR, and so far to support preparation for the Olympics preparation a of GBP 75,000 has been extended to KRU.
- iii) The sponsorship agreement with Sportpesa is still in place to a tune of Shs. 22 million per year. The agreement envisages a scale up by times 3 in the event the team qualifies for the HSBC series. The performance outcomes in the challenger series indicate a good chance of qualification.
- iv) Upon qualifying for the HSBC series, the WR annual grant of approximately GBP 300,000 will resume which will further enhance the available cashflow.
- v) KRU has also proactively continued to engage with the GoK and so far in the year 2024 allowances and support costs for teams having International assignments have been covered. KRU expects GoK to cover costs amounting to Shs. 170 million in the year 2024.

NOTES (CONTINUED)

3. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Key sources of estimation uncertainty and judgement

The union makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

- **Useful lives of property and equipment** - management reviews the useful lives and residual values of the items of property and equipment on a regular basis. During the financial year, the board members determined no significant changes in the useful lives and residual values. The carrying amounts of property and equipment are disclosed in notes 14.
- **Impairment of non-financial assets** - Impairment exists when the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DC) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

The carrying amounts of property and equipment are disclosed in notes 14.

- **Donations and sponsorship** - management negotiates and enters into agreements with donors and sponsors for support of activities in the financial year. During the financial year, management was able to raise donations and sponsorships as disclosed in note 4.
- **Borrowings covenants** - management entered into agreement with CAREITAS to borrow a loan of USD. 300,000 in 2022 that was to be repaid in three years. The loan agreement included a number of covenants which include; creation of a Limited Liability Partnership to act as a commercial entity for operation of the loan, the lender to be entitled to 11.25% of profit participation from the union properties (Safari Sevens, Elgon Cup, Test Matches, Super Series and Enterprise Cup), creation of a sinking fund account into which 20% of the commercial sponsorship revenue of the Kenya Simba National team will be paid, appointment of the lender as the executive manager of the union, furnish of the lender with audited accounts and financial ratios. Management has not repaid any amounts of the loan so far and they have also not complied with the listed covenants. Based on the management judgement, some of the covenants are not practicable to implement. The lender has so far not raised any issue with regard with the covenants and it is the management's judgement that the covenants shall be overlooked by the lender. Management is also in negotiation with the lender with the intentions that the lender writes off the loan in exchange with being awarded visibility rights on the union activities as will be agreed.

NOTES (CONTINUED)

3. Significant accounting policies (continued)

b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and/or performance of services, in the ordinary course of business and is stated net of rebates and discounts.

The union recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the union and when the specific criteria have been met for each of the union's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies have been resolved.

- Grants and donations are recognised when receivable
- Affiliation and subscriptions are recognised on accrual basis
- Sales of goods are recognised upon delivery of products and customer acceptance.
- Sales of services are recognised upon performance of the services rendered by reference to the stage of completion of the service contract.

c) Deferred capital grants

Property and equipment donated to the union are recognised as deferred income which is, in turn, recognised in the statement of income and expenditure and accumulated fund on a systematic basis over useful life of the property and equipment.

d) Property and equipment

All property and equipment is initially recorded at cost and thereafter stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of income and expenditure and accumulated fund during the financial year in which they are incurred.

Depreciation is calculated on a reducing balance basis to write down the cost of each asset, over its estimated useful life using the following annual rates.

	<u>Rate %</u>
Motor vehicles	25
Furniture and fittings	12.5
Electrical and other equipment	25
Trophy cases	20
Computers	30
Borehole	10
Rugby stands	10
Containers	12.5

The assets residual values, useful lives and methods of depreciation are reviewed, and adjusted perspective, if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining (deficit) before tax.

NOTES (CONTINUED)

3. Significant accounting policies (continued)

e) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings (the functional currency), at the rates ruling at the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The resulting differences from conversion and translation are dealt with in the statement of income and expenditure and accumulated fund in the period in which they arise.

f) Grant and other receivables

Grant receivable is the excess expenditure over income as at year end and is only recognised where there is commitment of additional funds from grant providers.

Other receivables include deposits and prepayments for services/goods to be delivered in future. Other receivables are only accounted for if there is tangible evidence that the service/goods will be performed/delivered in future or a refund will be made in the event the service/goods are not performed/delivered.

At the end of each reporting period, the carrying amounts of grants and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in the statement of income and expenditure and accumulated fund.

g) Financial liabilities

Financial liabilities are initially recognised at the transaction price (less transaction costs). Trade payables are obligations on the basis of normal credit terms and do not bear interest. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at the transaction price (that is, the present value of cash payable to the bank, including transaction costs). Borrowings are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method and is included in finance costs. Borrowings are classified as current liabilities unless the union has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

h) Borrowing costs

Borrowing costs are interest and other costs that the company incurs in connection with the borrowing of funds.

All borrowing costs are recognised in surplus or deficit in the period in which they are incurred.

i) Impairment of non-financial assets and intangible assets

At the end of each reporting period, the union reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

NOTES (CONTINUED)

3. Significant accounting policies (continued)

i) Impairment of non-financial assets and intangible assets (continued)

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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

j) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks and financial assets maturing within 91 days from the initial placement date, net of bank overdrafts.

In the statement of financial position, bank overdrafts are included within borrowings in current liabilities.

k) Intangible assets - computer software

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which is estimated to be five years.

l) Retirement benefits obligation

The union and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The union's contribution to the defined contribution scheme are charged to the statement of income and expenditure and accumulated fund in the year to which they relate. The union has no further payment obligations once the contributions have been paid.

m) Other financial assets

Investments in money market funds are initially recognised at the transaction price including transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

n) Taxation

The tax expense for the year comprises current and deferred tax and is recognised in profit or loss.

Current tax

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date.

NOTES (CONTINUED)

3. Significant accounting policies (continued)

n) Deferred tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the carry forward of unused tax credits and tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Offsetting

An entity shall offset current tax assets and current tax liabilities, or offset deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off the amounts and the entity can demonstrate without undue cost or effort that it plans either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Value Added Tax (VAT)

The union is not registered for VAT obligation and therefore VAT incurred on purchase of assets or services is recognised as part of the cost of acquisition of the asset or as part of the expense item.

o) Comparatives

There were no changes in presentation in the current year.

NOTES (CONTINUED)

	2023	2022
	Shs	Shs
4. Income		
Annual competitions *	206,616,602	142,526,956
National squads income *	17,503,566	10,238,197
World rugby grant *	88,434,512	53,247,366
World rugby 7's team support	24,485,313	40,682,140
Sponsorship income *	55,297,360	25,867,800
Rugby Africa	22,874,232	25,628,247
Affiliation fees	375,950	185,000
Billboard income	334,950	522,900
	<u>415,922,485</u>	<u>298,898,606</u>
Total income	<u>415,922,485</u>	<u>298,898,606</u>
* Refer to the appendix - page 23		
5. Other income		
Investment income	458,687	82,293
Jersey sales	1,152,000	1,859,080
Donations	-	911,376
Other incomes	-	414,426
Miscellaneous income (appeals, transfers and fines)	436,038	270,136
Transfer from deferred capital grants (Note 13)	59,898	25,918
World rugby tickets	2,497,359	1,263,110
	<u>4,603,982</u>	<u>4,826,339</u>
Total other income	<u>4,603,982</u>	<u>4,826,339</u>
6. National squad operations		
15's national team	27,361,256	91,535,998
7's national team	70,187,184	74,955,040
U20 national team	8,876,721	5,046,408
Women's national team	32,048,204	22,988,262
	<u>138,473,365</u>	<u>194,525,708</u>
Total national squad operations	<u>138,473,365</u>	<u>194,525,708</u>
7. Annual competitions		
Safari 7's	20,275,102	-
Write back of payables	-	580,000
National 7's circuit	6,064,300	3,891,530
Clubs' share of revenue	8,469,551	13,223,727
Match officials	3,892,700	4,528,500
Grounds	579,340	34,300
Clubs transfer fees	45,000	90,000
U20 Barthes tournament	58,052,105	95,085,366
U20 World rugby	152,452,808	-
Enterprise Cup	481,634	-
League expenses	340,244	757,196
Elgon cup	6,892,731	-
	<u>257,545,515</u>	<u>118,190,619</u>
Total annual competitions	<u>257,545,515</u>	<u>118,190,619</u>

NOTES (CONTINUED)

	2023	2022
	Shs	Shs
8. Rugby development		
Age grade rugby	3,545,592	986,060
Development courses	1,571,880	1,174,890
Administration	187,484	274,818
Under 18s	340,850	464,606
Salaries	5,942,854	5,936,472
Travel and accommodation	415,069	906,865
Trophies	419,439	22,000
Women's rugby	2,235,822	2,124,008
High performance consultancy costs	-	348,000
Total rugby development	14,658,990	12,237,719
9. Administrative expenses		
Employment costs		
Salaries and wages	7,607,979	7,358,547
National Social Security Fund	491,680	123,600
Other staff costs	553,988	1,088,797
Total employment costs	8,653,647	8,570,944
Other administrative expenses		
Computer expenses	446,758	309,238
Ground maintenance	472,050	346,450
AGM expenses	551,560	818,900
Meeting and conferences	373,762	239,295
Miscellaneous (office cleaning and toileteries)	542,110	874,449
Jersey costs	1,181,061	-
Printing and stationery	408,484	80,964
Postages, telephone and internet	484,360	765,984
Marketing and agency fees	4,979,647	5,074,018
Vehicle running	70,680	60,715
Travelling and allowances	1,751,750	1,759,570
Audit fees:		
- current year	1,300,000	1,210,000
- underprovision in prior years	226,570	215,649
Bank service charges	1,608,144	1,250,410
Legal and professional fees	1,105,265	2,463,055
Legal awards	-	4,254,326
Catering	157,170	93,332
Live streaming	30,000	-
Workshop expenses	100,000	-
Foreign exchange (gain)/loss	(4,589,825)	1,947,051
Total other administrative expenses	11,199,546	21,763,406
Total administrative expenses	19,853,193	30,334,350

NOTES (CONTINUED)

	2023	2022
	Shs	Shs
10. Establishment expenses		
Insurance	96,759	37,709
Security	833,384	840,141
Electricity and water	191,478	537,179
Repairs and maintenance	271,941	1,638,528
Depreciation on property and equipment	<u>2,877,003</u>	<u>3,728,529</u>
Total establishment expenses	<u><u>4,270,565</u></u>	<u><u>6,782,086</u></u>

11. Finance costs

Interest on bank loan	71,355	172,669
Interest on other loans	4,992,852	2,767,500
Foreign exchange loss	<u>10,672,105</u>	<u>2,466,357</u>
Total finance costs	<u><u>15,736,312</u></u>	<u><u>5,406,526</u></u>

12. Tax

No corporation tax has been made in the books of the union. The union is exempt from tax as per the first schedule of the Income Tax Act, paragraph 6.

	2023	2022
	Shs	Shs
13. Deferred capital grants		
At start of year	377,822	403,740
Transfer to other income (Note 5)	<u>(59,898)</u>	<u>(25,918)</u>
At end of year	<u><u>317,924</u></u>	<u><u>377,822</u></u>

Capital grants relates to motor vehicle and containers donated to union.

NOTES (CONTINUED)

14. Property and equipment

	Motor vehicles Shs	Furniture and fittings Shs	Electrical and other equipment Shs	Trophy cases Shs	Computers Shs	Leasehold improvement		Containers Shs	Total Shs
						Boreholes Shs	Rugby stands Shs		
Cost									
At start of year	3,063,195	11,476,481	12,143,268	69,750	6,361,280	3,967,787	9,610,681	770,000	47,462,442
Additions	-	38,000	-	-	31,500	-	-	-	69,500
At end of year	<u>3,063,195</u>	<u>11,514,481</u>	<u>12,143,268</u>	<u>69,750</u>	<u>6,392,780</u>	<u>3,967,787</u>	<u>9,610,681</u>	<u>770,000</u>	<u>47,531,942</u>
Accumulated depreciation									
At start of year	2,890,696	9,211,200	6,903,928	69,750	3,938,224	2,983,953	5,887,305	493,542	32,378,598
Charge for the year	43,125	287,910	1,309,835	-	730,855	98,383	372,338	34,557	2,877,003
At end of year	<u>2,933,821</u>	<u>9,499,110</u>	<u>8,213,763</u>	<u>69,750</u>	<u>4,669,079</u>	<u>3,082,336</u>	<u>6,259,643</u>	<u>528,099</u>	<u>35,255,601</u>
Carrying amount 2023	<u>129,374</u>	<u>2,015,371</u>	<u>3,929,505</u>	<u>-</u>	<u>1,723,702</u>	<u>885,451</u>	<u>3,351,038</u>	<u>241,901</u>	<u>12,276,342</u>
Carrying amount 2022	<u>172,499</u>	<u>2,265,281</u>	<u>5,239,340</u>	<u>-</u>	<u>2,423,056</u>	<u>983,834</u>	<u>3,723,376</u>	<u>276,458</u>	<u>15,083,844</u>

Included in the above are assets donated with net book values as shown below:

	2023 Shs	2022 Shs
Motor vehicles	76,023	101,364
Containers	241,901	276,458
	<u>317,924</u>	<u>377,822</u>

Depreciation expense has been charged in statement of income and expenditure under establishment expenses.

Additions during the year amounting to Shs. 69,500 were acquired by cash payments.

NOTES (CONTINUED)

	2023	2022
	Shs	Shs
15. Intangible assets		
Cost		
At start and end of year	<u>4,279,926</u>	<u>4,279,926</u>
Accumulated amortisation		
At start of year	4,279,926	4,279,926
Charge for the year	<u>-</u>	<u>-</u>
At end of year	<u>4,279,926</u>	<u>4,279,926</u>
Carrying amount	<u><u>-</u></u>	<u><u>-</u></u>
16. Receivables		
Receivables	32,403,073	18,745,142
Less: provision for impairment losses	<u>-</u>	<u>(3,982,788)</u>
Net receivables	<u><u>32,403,073</u></u>	<u><u>14,762,354</u></u>
Movement in impairment provisions:		
At start of year	3,982,788	-
Additions	-	3,982,788
Write off	<u>(3,982,788)</u>	<u>-</u>
At end of year	<u><u>-</u></u>	<u><u>3,982,788</u></u>
In the opinion of the directors, the carrying amount of the union's receivables approximate their fair value.		
17. Cash and cash equivalents		
	2023	2022
	Shs	Shs
Cash and bank in hand	<u>6,961,922</u>	<u>16,002,153</u>
For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:		
Cash and bank balances	6,961,922	16,002,153
Other financial assets (Note 18)	1,055,152	96,465
Bank overdraft (Note 20)	<u>(1,352,594)</u>	<u>(1,572,189)</u>
	<u><u>6,664,480</u></u>	<u><u>14,526,429</u></u>

NOTES (CONTINUED)

18. Other financial assets	2023 Shs	2022 Shs
At start of year	96,465	1,214,172
Interest earned	458,687	82,293
Additions	42,000,000	2,300,000
Redeemed	<u>(41,500,000)</u>	<u>(3,500,000)</u>
At end of year	<u>1,055,152</u>	<u>96,465</u>

These are money markets line investments held by an insurance company.

19. Trade and other payables	2023 Shs	2022 Shs
Trade payables	70,707,086	60,103,441
Accruals and other payables	<u>52,314,880</u>	<u>37,620,620</u>
	<u>123,021,966</u>	<u>97,724,061</u>

In the opinion of the directors, the carrying amount of the union's trade and other payables approximate their fair value.

20. Borrowings

Non-current

Other borrowings	<u>-</u>	<u>24,674,000</u>
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Current

Bank loan	-	1,800,223
Bank overdraft (Note 17)	1,352,594	1,572,189
Other borrowings	<u>55,451,782</u>	<u>17,232,825</u>
	<u>56,804,376</u>	<u>20,605,237</u>

Total borrowings

	<u>56,804,376</u>	<u>20,605,237</u>
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Movement in bank and other borrowings

At start of year	43,707,048	-
Interest charged to profit and loss	5,064,207	2,940,169
Net foreign exchange loss	10,672,105	2,466,357
Cash flows:		
- Operating activities (interest paid)	(71,355)	(172,669)
- Proceeds from long term borrowings	-	39,972,968
- (Repayments of) long term borrowings	<u>(3,920,223)</u>	<u>(1,499,777)</u>
At end of year	<u>55,451,782</u>	<u>43,707,048</u>

NOTES (CONTINUED)

20. Borrowings (continued)

Other borrowings are secured by revenue streams from Safari Sevens, Elgon Cup, Test Matches, Super Series and Enterprise Cup.

The bank overdrafts are not secured.

In the opinion of the directors, the carrying amounts of borrowings approximate to their fair value.

	2023	2022
	Shs	Shs
Undrawn facilities as at the reporting date were as follows:		
Bank overdrafts	<u>647,406</u>	<u>427,811</u>

21. Related party transactions

The following transactions were carried out with related parties:

Key management personnel compensation

Short-term employee benefits	<u>1,626,344</u>	<u>4,940,000</u>
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22. Contingent liabilities

The union is a defendant in various legal actions. In the opinion of the directors and after taking appropriate legal advice, the outcome of such actions will not give rise to any significant loss.

Appendix - Analysis of annual competition and national squads income

	2023	2022
	Shs	Shs
Annual competitions income		
Media Max Limited	45,752,929	44,465,354
The Coca - Cola Company	500,000	-
Gate collections and vendors	5,947,813	3,491,542
Government of Kenya funding	<u>154,415,860</u>	<u>94,570,060</u>
Total annual competitions income	<u><u>206,616,602</u></u>	<u><u>142,526,956</u></u>
National squads income		
Government of Kenya funding	<u>17,503,566</u>	<u>10,238,197</u>
World Rugby income		
International Rugby Board grants	17,718,516	53,247,366
International Rugby Board grants: HSBC grants	24,485,313	40,682,140
International Rugby Board grants: World U20	<u>70,715,996</u>	<u>-</u>
Total World Rugby income	<u><u>112,919,825</u></u>	<u><u>93,929,506</u></u>
Sponsorship income		
NOCK grant	2,932,360	-
Betsafe	-	1,000,000
EABL	15,000,000	-
Sportpesa	36,790,000	6,000,000
Teita Sisal Estate	-	13,500,000
Hemingways Nairobi Limited	-	1,831,800
Other Simba support	-	1,086,000
KCB Bank	-	1,500,000
Safaricom Limited	-	250,000
Minet Kenya Insurance Brokers Limited	<u>575,000</u>	<u>700,000</u>
	<u><u>55,297,360</u></u>	<u><u>25,867,800</u></u>