

KENYA RUGBY FOOTBALL UNION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

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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	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 2024, 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 decreased from Shs. 420,526,467 to Shs. 269,951,268. This was mainly attributed to less sponsorships onboarded in current year as compared to prior year.

Key performance indicators	2024	2023
Total income (Shs.)	<u>269,951,268</u>	<u>420,526,467</u>
(Deficit) for the year (Shs.)	<u>(14,383,515)</u>	<u>(30,011,474)</u>
Net (liabilities) (Shs.)	<u>(122,554,720)</u>	<u>(108,171,205)</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



**MOSES NDALE
VICE CHAIRMAN
NAIROBI**

17th March 2025

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 IFRS for SMEs® Accounting Standard. 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 IFRS for SMEs Accounting Standard. 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 2024 and of the union's financial performance and cash flows for the year then ended in accordance with the IFRS for SMEs Accounting Standard.

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 17th March 2025 and signed on their behalf by:



MOSES NDALE
VICE CHAIRMAN



RAYMOND OLENDU
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 23, which comprise the statement of financial position as at 31 December 2024, and the statement of income and expenditure, statement of changes in 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 2024, and of its financial performance and cash flows for the year then ended in accordance with the IFRS for SMEs Accounting Standard.

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. 132,698,292 (2023: Shs. 120,129,622) and there was a deficit in accumulated fund of Shs. 122,554,720 (2023: Shs. 108,171,205). 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 20 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.

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.

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

Other information (continued)

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 IFRS for SMEs Accounting Standard 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.

The directors are responsible for overseeing the union's financial reporting process.

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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

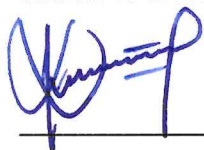
**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF KENYA RUGBY FOOTBALL UNION (CONTINUED)**

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

- 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



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

March 17, 2025

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STATEMENT OF INCOME AND EXPENDITURE

	Notes	2024 Shs	2023 Shs
Income	4	253,657,541	415,922,485
Other income	5	16,293,727	4,603,982
Total income		269,951,268	420,526,467
Expenditure			
National squad operations	6	115,582,841	138,473,365
Annual competitions	7	108,094,637	257,545,515
Rugby development	8	14,972,240	14,658,990
Administrative expenses	9	47,250,162	19,853,194
Establishment expenses	10	3,476,470	4,270,565
Finance (income)/costs	11	(5,041,567)	15,736,312
Total expenditure		284,334,783	450,537,941
(Deficit) before tax		(14,383,515)	(30,011,474)
Tax	12	-	-
(Deficit) for the year		(14,383,515)	(30,011,474)

The notes on pages 12 to 23 form an integral part of these financial statements.

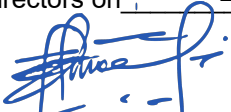
Report of the independent auditor - pages 5 to 7.

STATEMENT OF FINANCIAL POSITION


	Notes	2024 Shs	2023 Shs restated*
ACCUMULATED FUND			
Accumulated (deficit)		<u>(122,554,720)</u>	<u>(108,171,205)</u>
Non-current liabilities			
Deferred capital grants	13	<u>268,680</u>	<u>317,924</u>
		<u>(122,286,040)</u>	<u>(107,853,281)</u>
REPRESENTED BY			
Non-current assets			
Property and equipment	14	<u>10,412,252</u>	<u>12,276,341</u>
		<u>10,412,252</u>	<u>12,276,341</u>
Current assets			
Receivables	16	671,000	32,403,073
Cash and cash equivalents	17	24,983,527	6,961,922
Other financial assets	18	<u>24,178</u>	<u>1,055,152</u>
		<u>25,678,705</u>	<u>40,420,147</u>
Current liabilities			
Trade and other payables	19	106,756,347	103,745,393
Borrowings	20	<u>51,620,650</u>	<u>56,804,376</u>
		<u>158,376,997</u>	<u>160,549,769</u>
Net current (liabilities)		<u>(132,698,292)</u>	<u>(120,129,622)</u>
		<u>(122,286,040)</u>	<u>(107,853,281)</u>

The financial statements on pages 8 to 23 were approved and authorised for issue by the board of

directors on 17th March 2025 and signed on its behalf by:



MOSES NDALE
VICE CHAIRMAN



RAYMOND OLENDU
HONORARY SECRETARY

The notes on pages 12 to 23 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

* - See Note 22 for more details.

STATEMENT OF CHANGES IN ACCUMULATED FUNDS

	Notes	Accumulated (deficit) Shs
Year ended 31 December 2023		
At start of year - as previously stated		(97,436,304)
Prior year adjustments		
Being reversal of overstated accruals	22	<u>19,276,573</u>
At start of year - as restated		(78,159,731)
(Deficit) for the year		<u>(30,011,474)</u>
At end of year - as restated		<u><u>(108,171,205)</u></u>
Year ended 31 December 2024		
At start of year - as previously stated		(127,447,778)
Prior year adjustments		
Being reversal of overstated accruals	22	<u>19,276,573</u>
At start of year - as restated		(108,171,205)
(Deficit) for the year		<u>(14,383,515)</u>
At end of year		<u><u>(122,554,720)</u></u>

The notes on pages 12 to 23 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

* - See Note 22 for more details.

STATEMENT OF CASH FLOWS

		2024 Shs	2023 Shs
Operating activities	Notes		
Reconciliation of (deficit) to cash from operations:			
(Deficit) for the year		(14,383,515)	(30,011,474)
Adjustments for:			
Depreciation on property and equipment	14	2,346,088	2,877,003
Interest expense		4,582,747	4,992,852
Net foreign exchange (gain)/loss		(6,308,467)	6,082,280
- receivables		31,732,072	(17,640,719)
- trade and other payables		3,010,954	25,297,904
- deferred capital grants	13	(49,244)	(59,898)
Net cash from/(used in) operating activities		<u>20,930,635</u>	<u>(8,462,052)</u>
Investing activities			
Purchase of property and equipment	14	<u>(481,998)</u>	<u>(69,500)</u>
Net cash (used in) investing activities		<u>(481,998)</u>	<u>(69,500)</u>
Financing activities			
Repayments of borrowings		<u>-</u>	<u>(3,920,223)</u>
Net cash (used in) financing activities		<u>-</u>	<u>(3,920,223)</u>
Increase/(decrease) in cash and cash equivalents		<u>20,448,637</u>	<u>(12,451,774)</u>
Movement in cash and cash equivalents			
At start of year		6,664,480	14,526,430
Increase/(decrease)		20,448,637	(12,451,774)
Effect of exchange rate changes		<u>(3,315,847)</u>	<u>4,589,825</u>
At end of year	17	<u>23,797,270</u>	<u>6,664,480</u>

The notes on pages 12 to 23 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 IFRS for SMEs Accounting Standard 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 IFRS for SMEs Accounting Standard that requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the union'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. 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. 132,698,292 (2023: Shs. 120,129,622) and there was a deficit in the accumulated fund of Shs. 122,554,720 (2023: Shs. 108,171,205). 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 board is continuing to engage with potential sponsors to close on partnerships. The progress is a little slow but some traction is being made. We have already onboarded Safarisevens and SportsPesa as sponsors for some specific budget lines.
- ii) The union is also getting a level of support from EABL on some of the programs and management hope to upscale their uptake as they engage going forward.
- iii) The union is also engaging with potential media partners but the discussions are still ongoing.
- iv) The government has also continued to support the national teams that have international assignments which has helped to release some resources to go supporting operations and debt management.
- v) The union has continuously worked towards enhancing its incomes as well engaging with their providers for amicable settlements on obligations, including offering alternative modes of settlement like branding and activations during events.
- vi) The union is currently negotiating with various corporates with a view to secure new partnerships. As up to date, the union has firmed up the revenues for World Rugby- Sevens HP Support of Shs. 40 million, World rugby development support of Shs. 15 million, SportsPesa sponsorship of Shs. 80 million and Safaricom (Lionesses) of Shs. 54 million.

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.

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.

NOTES (CONTINUED)

3. Significant accounting policies (continued)

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 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 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 perspectively, 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.

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 in the period in which they arise.

NOTES (CONTINUED)

3. Significant accounting policies (continued)

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.

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).

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.

NOTES (CONTINUED)

3. Significant accounting policies (continued)

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 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 union is exempt from tax and indicated on note 12.

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

Where necessary, comparative figures have been adjusted to correct errors in overprovision of accruals in prior years as indicated on note 22.

NOTES (CONTINUED)

	2024 Shs	2023 Shs
4. Income		
Annual competitions *	72,546,719	206,616,602
National squads income *	41,477,475	17,503,566
World rugby grant *	49,592,270	88,434,512
World rugby 7's team support *	30,254,825	24,485,313
Sponsorship income *	59,601,252	55,297,360
Rugby Africa	-	22,874,232
Affiliation fees	185,000	375,950
Billboard income	-	334,950
Total income	253,657,541	415,922,485
* Refer to the appendix 1 - page 25		
5. Other income		
Investment income	24,026	458,687
Jersey sales	1,511,020	1,152,000
Donations	246,520	-
Miscellaneous income (appeals, transfers and fines)	449,679	436,038
Transfer from deferred capital grants (Note 13)	49,244	59,898
World rugby tickets	-	2,497,359
Olympic tickets	17,009	-
Write back of payables	13,996,229	-
Total other income	16,293,727	4,603,982
6. National squad operations		
15's national team **	13,027,059	27,361,256
7's national team **	58,408,159	70,187,184
U20 national team **	8,427,760	8,876,721
Women's national team **	35,719,863	32,048,204
Total national squad operations	115,582,841	138,473,365
7. Annual competitions		
Safari 7's **	67,960,646	20,275,102
Rugby super seniors	6,989,429	-
National 7's circuit **	8,751,190	6,064,300
Clubs' share of revenue	-	8,469,551
Match officials	5,007,000	3,892,700
Grounds	747,140	579,340
Clubs transfer fees	27,000	45,000
U20 Barthes tournament **	1,090,763	58,052,105
U20 World rugby **	10,189,490	152,452,808
Enterprise Cup	392,150	481,634
League expenses	784,970	340,244
Elgon cup **	6,154,859	6,892,731
Total annual competitions	108,094,637	257,545,515

** Refer to the appendix 2 - page 26 - 28

NOTES (CONTINUED)

	2024	2023
	Shs	Shs
8. Rugby development		
Age grade rugby	483,600	3,545,592
Development courses	976,720	1,571,880
Administration	377,074	187,484
Under 18s	1,135,800	340,850
Salaries	8,280,877	5,942,854
Travel and accommodation	209,087	415,069
Trophies	119,620	419,439
Women's rugby	2,038,550	2,235,822
Development balls and freight	806,734	-
Subscriptions	544,178	-
Total rugby development	14,972,240	14,658,990
9. Administrative expenses		
Employment costs		
Salaries and wages	7,820,910	7,607,979
National Social Security Fund	194,760	491,680
Other staff costs	421,321	553,988
Total employment costs	8,436,991	8,653,647
Other administrative expenses		
Computer expenses	556,679	446,758
Ground maintenance	392,400	472,050
AGM expenses	179,962	551,560
Meeting and conferences	102,572	373,762
Miscellaneous (office cleaning and toileteries)	470,401	542,110
Jersey costs	1,739,759	1,181,061
Printing and stationery	480,959	408,484
Postages, telephone and internet	331,223	484,360
Marketing and agency fees	173,000	4,979,647
Vehicle running	29,482	70,680
Travelling and allowances	961,766	1,751,750
Audit fees:		
- current year	1,300,000	1,300,000
- underprovision in prior years	242,400	226,570
Bank service charges	1,341,501	1,608,145
Legal and professional fees	1,244,321	1,105,265
Catering	99,422	157,170
Live streaming	-	30,000
Workshop expenses	-	100,000
Foreign exchange loss/(gain)	3,315,847	(4,589,825)
Fines and penalties	26,904	-
Provision for bad debts	25,824,573	-
Total other administrative expenses	38,813,171	11,199,547
Total administrative expenses	47,250,162	19,853,194

NOTES (CONTINUED)

	2024 Shs	2023 Shs
10. Establishment expenses		
Insurance	55,615	96,759
Security	768,384	833,384
Electricity and water	199,955	191,478
Repairs and maintenance	106,428	271,941
Depreciation on property and equipment	2,346,088	2,877,003
Total establishment expenses	3,476,470	4,270,565

11. Finance (income)/costs

Interest on bank loan	-	71,355
Interest on other loans	4,582,747	4,992,852
Foreign exchange (gain)/loss	(9,624,314)	10,672,105
Total finance (income)/costs	(5,041,567)	15,736,312

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.

	2024 Shs	2023 Shs
13. Deferred capital grants		
At start of year	317,924	377,822
Transfer to other income (Note 5)	(49,244)	(59,898)
At end of year	268,680	317,924

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	11,514,481	12,143,268	69,750	6,392,780	3,967,787	9,610,681	770,000	47,531,942
Additions	-	-	-	-	481,998	-	-	-	481,998
At end of year	3,063,195	11,514,481	12,143,268	69,750	6,874,778	3,967,787	9,610,681	770,000	48,013,940
Accumulated depreciation									
At start of year	2,933,821	9,499,110	8,213,763	69,750	4,669,079	3,082,336	6,259,643	528,099	35,255,601
Charge for the year	32,344	251,921	982,376	-	625,560	88,545	335,104	30,238	2,346,088
At end of year	2,966,165	9,751,031	9,196,139	69,750	5,294,639	3,170,881	6,594,747	558,337	37,601,689
Carrying amount 2024	<u>97,030</u>	<u>1,763,450</u>	<u>2,947,129</u>	<u>-</u>	<u>1,580,139</u>	<u>796,906</u>	<u>3,015,934</u>	<u>211,663</u>	<u>10,412,252</u>
Carrying amount 2023	<u>129,374</u>	<u>2,015,371</u>	<u>3,929,505</u>	<u>-</u>	<u>1,723,701</u>	<u>885,451</u>	<u>3,351,038</u>	<u>241,901</u>	<u>12,276,341</u>

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

	2024 Shs	2023 Shs
Motor vehicles	57,017	76,023
Containers	<u>211,663</u>	<u>241,901</u>
	<u>268,680</u>	<u>317,924</u>

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

Additions during the year amounting to Shs. 481,998 were acquired by cash payments.

NOTES (CONTINUED)

	2024 Shs	2023 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>

16. Receivables

Other receivables	26,495,573	32,403,073
Less: impairment provisions	<u>(25,824,573)</u>	<u>-</u>
Net other receivables	<u>671,000</u>	<u>32,403,073</u>
Impairment provision movement		
At start of year	-	-
Additions	<u>(25,824,573)</u>	<u>-</u>
At end of year	<u>(25,824,573)</u>	<u>-</u>

In the opinion of the directors, the carrying amount of the union's receivables approximate their fair value.

	2024 Shs	2023 Shs
17. Cash and cash equivalents		
Cash and bank in hand	<u>24,983,527</u>	<u>6,961,922</u>
For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:		
Cash and bank balances	24,983,527	6,961,922
Other financial assets (Note 18)	24,178	1,055,152
Bank overdraft (Note 20)	<u>(1,210,435)</u>	<u>(1,352,594)</u>
	<u>23,797,270</u>	<u>6,664,480</u>

18. Other financial assets

At start of year	1,055,152	96,465
Interest earned	24,026	458,687
Additions	-	42,000,000
Redeemed	<u>(1,055,000)</u>	<u>(41,500,000)</u>
At end of year	<u>24,178</u>	<u>1,055,152</u>

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

NOTES (CONTINUED)

	2024 Shs	2023 Shs restated*
19. Trade and other payables		
Trade payables	58,353,476	70,707,086
Accruals and other payables	48,402,871	52,314,880
Prior year adjustment		
- Being reversal of overstated accruals	-	(19,276,573)
	<u>106,756,347</u>	<u>103,745,393</u>

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

20. Borrowings

Current

Bank overdraft (Note 17)	1,210,435	1,352,594
Other borrowings	<u>50,410,215</u>	<u>55,451,782</u>
	<u>51,620,650</u>	<u>56,804,376</u>

Movement in other borrowings

At start of year	55,451,782	43,707,048
Interest charged to profit and loss	4,582,747	4,992,852
Net foreign exchange (gain)/loss	(9,624,314)	10,672,105
Cash flows:		
- Operating activities (interest paid)	-	(71,355)
- (Repayments of) long term borrowings	-	(3,848,868)
At end of year	<u>50,410,215</u>	<u>55,451,782</u>

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

The union 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. The union has breached all the covenants and the loan has not been repaid.

The lender intends to pursue recovery through arbitration for the defaulted loan. The directors plan to engage with the lender to reach an amicable solution.

The directors are of the opinion that the engagement with the lender will be forthcoming.

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

NOTES (CONTINUED)

20. Borrowings (continued)

The bank overdrafts are not secured.

	2024 Shs	2023 Shs
Undrawn facilities as at the reporting date were as follows:		
Bank overdrafts	<u>1,210,435</u>	<u>1,352,594</u>

21. Related party transactions

The following transactions were carried out with related parties:

	2024 Shs	2023 Shs
Key management personnel compensation		
Short-term employee benefits	<u>4,423,350</u>	<u>3,873,070</u>

22. Prior year adjustments

The union had erroneously over accounted for accruals over a number of years.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Statement of financial position (extracts)	At end of year Shs	(Decrease)/ Increase Shs	At end of year (restated) Shs
Year ended 31 December 2023			
Accruals and other payables	52,314,880	(19,276,573)	33,038,307
Accumulated funds	<u>(97,436,304)</u>	<u>19,276,573</u>	<u>(78,159,731)</u>

23. 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 1 - Analysis of annual competition and national squads income

	2024 Shs	2023 Shs
Annual competitions income		
Media Max Limited	-	45,752,929
The Coca - Cola Company	-	500,000
Gate collections, vendors and activations	4,737,518	5,947,813
Government of Kenya funding	<u>67,809,201</u>	<u>154,415,860</u>
Total annual competitions income	<u><u>72,546,719</u></u>	<u><u>206,616,602</u></u>
National squads income		
Government of Kenya funding	<u><u>41,477,475</u></u>	<u><u>17,503,566</u></u>
World Rugby grant		
International Rugby Board grants	36,279,927	17,718,516
International Rugby Board grants: World U20	7,591,116	70,715,996
International Rugby Board grants: Womens International Test Match	<u>5,721,227</u>	<u>-</u>
Total World Rugby grant	<u><u>49,592,270</u></u>	<u><u>88,434,512</u></u>
World Rugby 7's team support		
International Rugby Board grants: HSBC grants	<u><u>30,254,825</u></u>	<u><u>24,485,313</u></u>
Total World Rugby 7's team support	<u><u>30,254,825</u></u>	<u><u>24,485,313</u></u>
Sponsorship income		
National Olympic Committee of Kenya	-	2,932,360
East African Breweries Limited	12,000,000	15,000,000
Sportpesa	35,966,663	36,790,000
Dorcas Rigathi Foundation	1,160,000	-
Chloride Exide	50,000	-
HACO Industries Limited	1,550,000	-
Safaricom Limited	7,324,589	-
Minet Kenya Insurance Brokers Limited	-	575,000
Greenspoon	50,000	-
Jamii Telecommunication Limited	<u>1,500,000</u>	<u>-</u>
	<u><u>59,601,252</u></u>	<u><u>55,297,360</u></u>

Appendix 2 - Analysis of annual competition and national squads expenditures

	2024	2023
	Shs	Shs
(a) 15's national team		
Meals	66,020	325,870
Medical expenses	898,558	1,308,403
Salaries and wages	1,890,000	4,125,000
Team expenses	825,000	4,421,250
Team training allowances	2,146,500	860,000
Training expenses	3,461,487	571,131
Travelling and accommodation	3,326,395	15,749,602
Advertising and marketing	25,000	-
Insurance	260,349	-
Kits cost	127,750	-
	<u>13,027,059</u>	<u>27,361,256</u>
(b) 7's national team		
Kits cost	1,603,246	137,500
Meals	799,605	1,864,465
Medical expenses	1,803,690	2,287,097
Travel and accomodation	15,037,366	15,373,645
Salaries and wages	32,913,049	38,884,322
Software	2,608,710	2,188,689
Team expenses	370,099	2,591,007
Training expenses	2,493,587	6,731,983
Travel insurance	717,647	53,476
Other expenses	1,160	75,000
Advertising and marketing	60,000	-
	<u>58,408,159</u>	<u>70,187,184</u>
(c) U20 national team		
Travelling and accommodation	4,982,472	4,074,723
Meals	152,500	509,871
Team expenses	854,800	835,500
Tournament expenses	129,900	94,600
Salaries and wages	1,120,000	2,720,000
Kits cost	359,822	67,500
Medical expenses	133,077	359,275
Training expenses	-	215,252
Travel insurance	695,189	-
	<u>8,427,760</u>	<u>8,876,721</u>

Appendix 2 - Analysis of annual competition and national squads expenditures (continued)

	2024	2023
	Shs	Shs
(d) Women's national team		
Advertising and marketing	77,000	30,000
Insurance	635,522	1,136,529
Kits cost	145,500	200,986
Meals	1,127,848	2,504,790
Medical expenses	2,540,244	1,578,018
Salaries and Wages	6,290,736	4,107,000
Team expenses	10,024,278	11,570,282
Training expenses	867,000	110,500
Travelling and accommodation	5,724,199	10,810,099
Other expenses	9,000	-
World rugby high performance team support costs	8,278,536	-
	<u>35,719,863</u>	<u>32,048,204</u>
(e) Safari 7's		
Meals	1,233,020	400,250
Medical expenses	2,023,653	285,000
Travelling and accommodation	31,683,235	11,915,716
Advertising and marketing	4,224,266	483,720
Cleaning	4,026,150	865,284
Insurance	8,275,594	308,582
Other	140,540	206,800
Security	15,245,988	1,659,800
Tournament expenses	508,800	4,149,950
Kits cost	89,400	-
Training expenses	510,000	-
	<u>67,960,646</u>	<u>20,275,102</u>
(f) National 7's circuit		
Team expenses	7,048,900	3,653,300
Tournament expenses	1,702,290	2,411,000
	<u>8,751,190</u>	<u>6,064,300</u>

Appendix 2 - Analysis of annual competition and national squads expenditures (continued)

	2024 Shs	2023 Shs
(g) U20 Barthes tournament		
Advertising and marketing	20,000	650,324
Cleaning	-	117,600
Event management	-	7,281,000
Insurance	-	1,655,275
Kits cost	44,200	508,298
Match officials	-	362,500
Meals	-	971,060
Medical expenses	168,052	902,900
Other expenses	-	662,050
Security	-	4,723,000
Team expenses	-	2,792,016
Tournament expenses	696,511	4,273,080
Training expenses	162,000	270,900
Travelling and accommodation	-	33,244,602
	<u>1,090,763</u>	<u>58,414,605</u>
(h) U20 World rugby		
Advertising and marketing	-	12,863,385
Cleaning	-	527,000
Event management	-	9,827,503
Insurance	-	287,788
Kits cost	30,000	1,489,500
Meals	21,621	4,946,984
Medical expenses	494,311	1,146,741
Other expenses	-	1,078,462
Security	-	11,824,000
Team expenses	10,440	4,804,263
Tournament expenses	-	8,056,499
Training expenses	987,326	333,482
Travelling and accommodation	8,645,792	95,267,201
	<u>10,189,490</u>	<u>152,452,808</u>
(i) Elgon cup		
Travelling and accommodation	2,679,998	2,201,196
Team expenses	2,250,525	3,422,856
Meals	45,000	302,584
Tournament expenses	55,260	966,095
Medical expenses	92,000	-
Insurance	267,076	-
Kits cost	15,000	-
Cleaning	30,000	-
Security	120,000	-
Advertising and marketing	540,000	-
Other expenses	60,000	-
	<u>6,154,859</u>	<u>6,892,731</u>