

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT

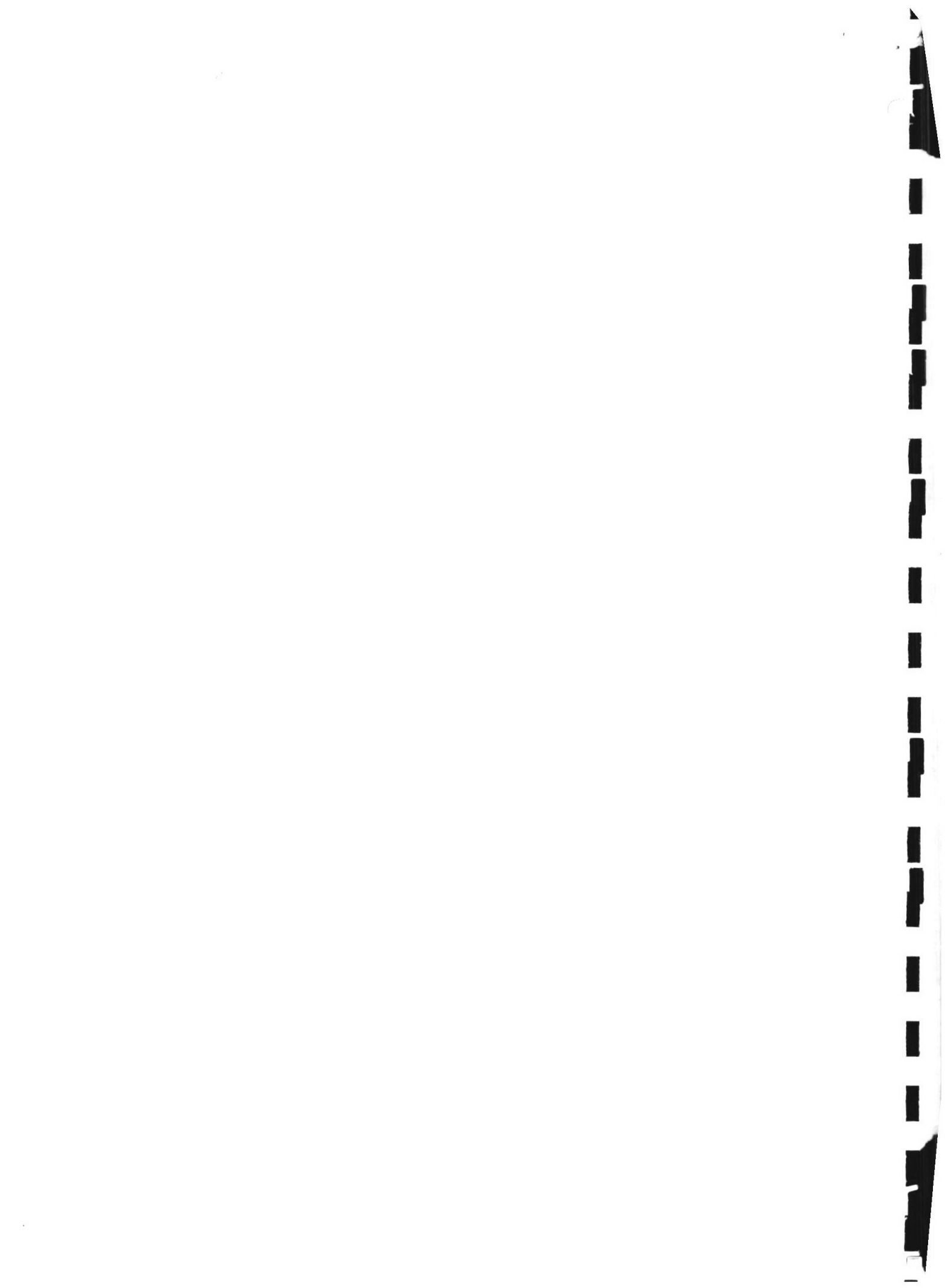
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
AGRICULTURAL INFORMATION
RESOURCE CENTRE**

**FOR THE YEAR ENDED
30 JUNE 2014**



REPUBLIC OF KENYA

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KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON THE AGRICULTURAL INFORMATION RESOURCE CENTRE FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Agricultural Information Resource Centre set out on pages 5 to 28, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Accounting Officer, is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (accrual basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Accounting Officer is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 7 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 9 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Property, Plant and Equipment

- (i) The property, plant and equipment balance brought forward of Kshs.22,930,194.90 reflected in the statement of financial position differs by an amount of Kshs.12,041,907.30 from the Kshs.34,972,102.20 shown as balance carried down in the audited financial statements for the year ended 30 June 2013. However, no reconciliation or explanation has been provided for the variance.
- (ii) Further, the property, plant and equipment balance of Kshs.16,057,174.05 includes intangible assets with a balance brought forward of Kshs.4,397,125.00 and accumulated depreciation brought forward of Kshs.3,487,812.30 while the audited financial statements for the year ended 30 June 2013 did not reflect the item of intangible assets. Consequently, the source of the balance could not be ascertained. In addition, the financial statements reflect, under Note 13, a balance of Kshs.354,382.85 for intangible assets which, however, has not been supported with any documentary evidence.
- (iii) The fixed assets schedule for the year ended 30 June 2013 shows the original cost of the assets as Kshs.57,445,009.00 while the schedule for the year ended 30 June 2014 shows the original cost of the assets as Kshs.41,340,092.00. No explanation has been given for the difference of Kshs.16,104,917.00 on a figure that is expected to remain constant unless there has been a revaluation of the assets for which no such indication was availed for audit review.

No explanation has been provided for the above anomalies, as a result of which, the accuracy of the property, plant and equipment balance of Kshs.16,057,174.40 could not be confirmed.

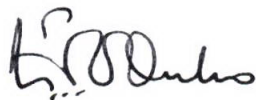
2. Receivables

- (i) The balance of Kshs.10,849,330.00 reflected under receivables includes debtors balances totalling Kshs.4,892,750.00 which have not been recovered although they relate to the period between 16 November 1993 and 22 May 2013, contrary to the requirements of financial regulations. No explanation has been provided for failing to recover the long outstanding balances.
- (ii) Further, the receivables balance of Kshs.10,849,330.00 differs by an amount of Kshs.713,710.00 from the correct balance of Kshs.11,563,030.00 arrived at as follows:

Description	Amount (Kshs)
Balance brought forward	14,218,290.00
Additional debtors during the year	5,447,280.00
Recoveries during the year	<u>(8,102,530.00)</u>
Balance as at 30 June 2014	11,563,040.00
Balance reported in financial statements	<u>10,849,330.00</u>
Variance	<u><u>713,710.00</u></u>

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Agricultural Information Resource Centre as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (accrual basis) and the Public Finance Management Act, 2012 of the Laws of Kenya.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

14 April 2015





AGRICULTURAL INFORMATION RESOURCE CENTRE

REVOLVING FUND ACCOUNT

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014

Prepared in accordance with the Accrual Basis of Accounting Method under the
International Public Sector Accounting Standards (IPSAS)

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Agricultural Information Resource Centre (AIRC) is a Semi-Autonomous Governmental Agency (SAGA) in the State Department of Agriculture of the Ministry of Agriculture, Livestock and Fisheries. The Centre started in 1966 to disseminate agricultural information to farmers, extension workers and other stakeholders. In 1993, the centre was made a SAGA through legal notice no. 163 of June 25, 1993. This established the AIRC revolving fund which enables it to fulfil its commercial obligations and the AIRC Management Board that oversees the activities of the Centre. AIRC has been involved in the production of agricultural information materials for extension workers, farmers and also stakeholders in the agricultural sector. In addition to this, the Centre has been carrying out training programmes that focus on communication, supervisory and management skills for extension and other development workers.

(b) Principal Activities

The primary mandate of AIRC is Agricultural Information and Knowledge Management .It is the main reference centre for agricultural information for farmers, extension providers and stakeholders in the Kenya and beyond. The Centre collects, collates, processes and disseminates agricultural information using various platforms to a wide spectre of stakeholders. AIRC implements this mandate through the following specialized units:

- i. Training and Conference Unit,
- ii. Agricultural Documentation Services Unit (ADSU),
- iii. Agricultural Library Information Services Unit (ALIS),
- iv. Business Development and Marketing Unit,
- v. Mass Media Services Unit (consists of Radio, Video and Publication sub-units)
- vi. Monitoring and Evaluation Unit

(c) Key Management

The fund's day-to-day management is under the State department of Agriculture.

(d) Agricultural Information Resource Centre Revolving Fund

Westlands
Naivasha Road
P.O Box 66730-00800
Nairobi. , KENYA.

(e) Bankers

Kenya Commercial Bank Limited
Sarit Centre Branch
Nairobi, Kenya

(f) Independent Auditors

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

(g) Principal Legal Advisor

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

II. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Accounting Officer to prepare financial statements in respect of that Agricultural Information Resource Centre Revolving Fund, which give a true and fair view of the state of affairs of the Revolving Fund at the end of the financial year/period and the operating results of the Revolving Fund for that year/period. The Accounting Officer is also required to ensure that the Agricultural Information Resource Centre Revolving Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Accounting Officer is also responsible for safeguarding the assets of the Agricultural Information Resource Centre Revolving Fund.

The Accounting Officer is responsible for the preparation and presentation of the Agricultural Information Resource Centre Revolving Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year (period) ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Kenya Citizens and Foreign Nationals Management Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer accepts responsibility for the Agricultural Information Resource Centre Revolving Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Accounting Officer is of the opinion that the Agricultural Information Resource Centre Revolving Fund's financial statements give a true and fair view of the state of Agricultural Information Resource Centre Revolving Fund's transactions during the financial year ended June 30, 2014, and of the Agricultural Information Resource Centre Revolving Fund's financial position as at that date. The Accounting Officer further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the Agricultural Information Resource Centre Revolving Fund's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Accounting Officer to indicate that the Agricultural Information Resource Centre Revolving Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Agricultural Information Resource Centre Revolving Fund financial statements were approved by the Board on _____ 2014 and signed on its behalf by:



 Director

III. REPORT OF THE INDEPENDENT AUDITORS ON THE AGRICULTURAL
INFORMATION RESOURCE CENTRE REVOLVING FUND

AGRICULTURAL INFORMATION RESOURCE CENTRE REVOLVING FUND

IV. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
Revenue from non-exchange transactions			
Transfers from Exchequer	1	-	-
		-	-
Revenue from exchange transactions			
Rendering of services	2	-	-
Sale of goods	3	34,306,564.70	35,110,765.00
		-	-
Total revenue		34,306,564.70	35,110,765.00
Expenses			
Use of goods and services	4	3,236,605.00	2,222,636.00
Depreciation and amortization expense	5	6,873,020.85	3,517,742.60
Repairs and maintenance	6	2,538,025.90	1,390,571.60
General expenses	7	16,625,863.55	18,813,481.60
Total expenses		29,273,515.30	25,944,431.80
Surplus for the period		5,033,049.40	9,166,333.20

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2014

	Reserves Capital replacement development reserve Kshs	Accumulated surplus Kshs	Total Kshs
Balance as at 30 JUNE 2013	10,000,000.00	17,091,016.45	27,091,016.45
Surplus/(deficit) for the period	22,930,194.90	9,166,333.20	32,096,528.10
Transfers to/from accumulated surplus	-	-	-
Balance as at 30 JUNE 2013	32,930,194.90	26,257,349.65	59,187,544.55
Surplus for the period	16,057,174.05	5,033,049.40	21,090,223.45
Transfers to/from accumulated surplus	(22,930,194.90)		(22,930,194.90)
Balance as at 30 JUNE 2014	26,057,174.05	31,290,399.05	57,347,573.10

V. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
Cash flows from operating activities			
Receipts			
Sale of goods		34,306,564.70	35,110,765.00
Total Receipts		<u>34,306,564.70</u>	<u>35,110,765.00</u>
Payments			
Use of Goods and Services		3,236,605.00	2,222,636.00
General Expenses		16,625,863.55	18,813,481.60
Repairs and Maintenance		2,538,025.90	1,390,571.60
Total Payments		<u>22,400,494.45</u>	<u>22,426,689.20</u>
Net cash flows from operating activities	12	<u>11,906,070.25</u>	<u>12,684,075.80</u>
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets equipment			(5,307,904.50)
Increase in stock		(5,054,655.60)	(3,517,742.80)
Decrease in debtors		3,577,637.55	(3,244,605.85)
Increase in investments		-	-
Net cash flows used in investing activities		<u>(1,477,018.05)</u>	<u>(12,070,253.15)</u>
Cash flows from financing activities			
Decrease in Government grants		(6,871,620.70)	1,779,184.00
Net cash flows used in financing activities		<u>(6,871,620.70)</u>	<u>1,779,184.00</u>
Net increase/(decrease) in cash and cash equivalents		<u>3,347,353.80</u>	<u>2,403,984.55</u>
Cash and cash equivalent as at 1 st JULY	8	16,299,236.85	13,895,252.30
Cash and cash equivalents at 30th JUNE		<u>19,646,590.65</u>	<u>16,299,236.85</u>

VI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest cent. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

iii) **Revenue recognition**

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

iv) **Budget information**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

v) **Taxes**

Current income tax

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

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with

respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit.

Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

vi) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

vii) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred.

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

viii) Leases

Finance leases are leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

ix) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

x) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset

i) Research and development costs (continued)

- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

ii) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

IPSAS 29.65

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

b) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition is accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

c) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

d) *Contingent liabilities*

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

e) *Contingent assets*

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has

become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

f) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.

g) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

h) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and councilor's. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

i) Employee benefits (continued)

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

j) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from

those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

k) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

l) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the councilors, the executive mayor, mayoral committee members, the city manager, deputy city manager and senior managers.

m) Fund concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the;-

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

n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to

authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

o) Comparative figures

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

p) Significant judgments and sources of estimation uncertainty

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

q) Significant judgments and sources of estimation uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

- i. The condition of the asset based on the assessment of experts employed by the entity;
- ii. The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- iii. The nature of the processes in which the asset is deployed;
- iv. Availability of funding to replace the asset; and
- v. Changes in the market in relation to the asset.

Provisions

Provisions were raised and management determined an estimate based on the information available.

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

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

Significant judgments and sources of estimation uncertainty

Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers.

The estimates are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money.

The increase in the rehabilitation provision due to passage of time is recognized as finance cost in the statement of financial performance.

The cost of ongoing programs to prevent and control pollution and rehabilitate the environment is recognized as an expense when incurred.

r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

s) Depreciation policies

The fund depreciates its fixed assets as follows:-

- i) Plant and machineries are depreciated on straight line basis at a rate of 10% per year
- ii) Furniture and fitting are depreciated on a straight line at a rate of 12.5% per year
- iii) Computers are depreciated on a straight line at a rate of 33.33% per year
- iv) Motor vehicles are depreciated on a straight line at a rate of 25% per year
- v) Intangible assets are amortized over a period of three years
- vi) Assets bought in June or at the end of the financial are not depreciated

3. Sale of goods

	2014 Shs	2013 Shs
Sale of Tenders	-	-
Radio, Video ,desktop publishing and Training unit	34,306,564.70	35,110,765.00
Total revenue from the sale of goods	<u>34,306,564.70</u>	<u>35,110,765.00</u>

	2014 Kshs.	2013 Kshs.
4. Production Materials Used:		
Opening Stock	5,739,822.80	2,222,080.00
Add: Production Materials Purchased:		
Food and Ration	7,263,470.00	9,139,653.00
Printing Materials	8,809,306.00	8,247,136.00
Photographic Materials	<u>1,863,658.90</u>	<u>1,582,358.50</u>
Total Production Materials	23,676,257.70	21,191,407.50
Less: Closing Stock	<u>10,794,478.40</u>	<u>5,739,822.80</u>
Total Production Materials Used	<u>12,881,779.30</u>	<u>15,451,584.70</u>

5. Employee costs

	2014 Shs	2013 Shs
Employee related costs-salaries and wages	-	-
Employee related costs-contributions to medical Expenses	-	-
Utilities, Supplies & services	-	-
Performance and other bonuses	-	-
Pension and Retirement Benefits	-	-
Commission Expenses	-	-

6. Utilities, Supplies & services

	2014 Kshs.	2013 Kshs
Travel, motorcar, accommodation, subsistence and other allowances	530,240.00	309,936.00
Board allowance	398,500.00	102,000.00
Daily subsistence allowance	2,307,865.00	1,810,700.00

Use of Goods & Services	<u>3,236,605.00</u>	<u>2,222,636.00</u>
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7. Depreciation and amortization expense

	2014 Shs	2013 Shs
Property, plant and equipment	6,318,091.00	2,963,712.75
Intangible assets	554,929.85	554,929.85
Investment property carried at cost	-	-
Total depreciation and amortization	6,873,020.85	3,517,742.60

8. Repairs and maintenance

	2014 Shs	2013 Shs
Maintenances of Buildings & station	1,355,282.50	747,368.00
Maintenance of Furniture	-	-
Equipment	1,182,743.40	643,203.60
Vehicles	-	-
Other	-	-
Total repairs and maintenance	2,538,025.90	1,390,571.60

9. General expenses

The following are included in general expenses:

	2014 Shs	2013 Shs
Administrative and marketing	613,444.70	624,230.60
Admin fees - Office General Expenses	439,406.20	518,067.45
Internet connection	38,780.00	114,400.00
Professional services	2,402,766.00	1,626,234.20
Sanitary and cleaning material	68,979.35	177,522.65
Electricity	124,260.00	134,100.00
Water purification cost	9,660.00	118,112.00
Postage	46,788.00	49,230.00

Production materials	12,881,779.30	15,451,584.70
Total general expenses	16,625,863.55	18,813,481.60

10. Cash and cash equivalents

	2014	2013
	Shs	Shs
Bank	19,646,590.65	16,299,236.85
Cash-on-hand and in transit	-	-
Short-term deposits	-	-
Total cash and cash equivalents	19,646,590.65	16,299,236.85

11. Receivables from non-exchange contracts

Current receivables

	2014	2013
	Shs	Shs
Medical Deposits	-	-
Other debtors(non-exchange transactions)	10,849,330.00	14,218,290.00
Staff Debtors	-	-
Total current receivables	10,849,330.00	14,218,290.00

12. Inventories

	2014	2013
	Shs	Shs
Other goods held for resale	10,794,478.40	5,739,822.80
Catering	-	-
Total inventories at the lower of cost and net realizable value	10,794,478.40	5,739,822.80

13. Property, plant and equipment

	Intangible assets	Plant & machinery	Computer and related equipment	Furniture & Fittings	Motor Vehicles	Total
Depreciation Rate	33.3%	10%	33.3%	12.5%	25%	
<i>Cost or Valuation:</i>	Shs	Shs	Shs	Shs	Shs	Shs
As at 1st July, 2013	4,397,125.00	12,130,000.00	19,132,347.00	1,680,620	4,000,000.00	41,340,092.00
Additions during the year	-	-	-	-	-	-
Disposal	-	-	-	-	-	-
As at 30th June 2014	<u>4,397,125.00</u>	<u>12,130,000.00</u>	<u>19,132,347.00</u>	<u>1,680,620.00</u>	<u>4,000,000.00</u>	<u>41,340,092.00</u>
Depreciation and impairment						-
At 1 July 2013	3,487,812.30	7,042,500.00	7,452,697.30	426,887.50	-	18,409,897.10
Depreciation	554,929.85	1,213,000.00	3,895,013.30	210,077.70	1,000,000.00	6,873,020.85
Disposals	-	-	-	-	-	-
Total Depr. at 30 June 2014	<u>4,042,742.15</u>	<u>8,255,500.00</u>	<u>11,347,710.60</u>	<u>636,965.20</u>	<u>1,000,000.00</u>	<u>25,282,917.95</u>
Net book values as						
at 30 June 2014	354,382.85	3,874,500.00	7,784,636.40	1,043,654.80	3,000,000.00	16,057,174.05
At 30 June 2013	909,312.70	5,087,500.00	11,679,649.70	1,253,732.50	4,000,000.00	22,930,194.90

AGRICULTURAL INFORMATION RESOURCE CENTRE REVOLVING FUND
ACCOUNT
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2014

Adjusted for:

Depreciation	6,873,020.65	5,226,140.95
Non-cash grants received	-	-
Working capital adjustments:		
Increase in inventory	(5,054,655.60)	(3,517,742.80)
Increase in receivables	3,368,960.00	(3,244,605.85)
Increase in payables	-	-
Net cash flows from operating activities	10,179,515.95	7,630,125.50

15. Events after the reporting period

There are no material events after the reporting date.

 Principal Secretary


Head of Accounting Unit

Date.....

Date.....