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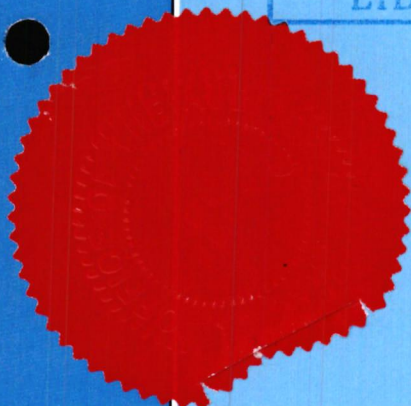


OAG



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



PAPERS LAID	
DATE	8/11/2022
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COMMITTEE	_____
CLERK AT THE TABLE	I. Mbaya

REPORT

OF

THE AUDITOR-GENERAL

ON

DEMONSTRATION FARM FUND KISII

**FOR THE YEAR ENDED
30 JUNE, 2021**





DEMONSTRATION FARM FUND KISII
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Demonstration Farm Fund is established by and derives its authority and accountability from Exchequer and Audit Act, Cap 412 Laws of Kenya through Legal Notice No 456 of 16th November 1990. The Fund is wholly owned by the County Government of Kisii and is domiciled in Kenya.

The fund's objective is to provide funds for running of the commercial enterprises at ATC's on a revolving basis with the ultimate goal of making the ATC's self sustaining

The Fund's principal activity is to provide funds for developing and running of the commercial enterprises at ATC's.

Principal Activities

The principal activity is to train famers on modern farming .

Vision

The Vision of the Agricultural Training Centres is "To be centres of excellence for Agri-business incubation and training of farmers/pastoralist/aquaculturist and other stakeholders".

Mission

The Mission of the Agricultural Training Centres is "To train farmers/pastoralists/aquaculturalists and other stakeholders on relevant agricultural technologies, innovations and skills through teaching, demonstrations, agri-business incubation, provision of training facilities and germplasm on a sustainable basis".

1.4 Objectives

The overall objective of ATCs is to provide quality training services and facilities for enhancing agriculture and development.

Specific objectives for ATCs are:

Objectives

The overall objective of ATCs is to provide quality training services and facilities for enhancing agriculture and development.

Specific objectives for ATCs are:

(a) To improve access to agricultural technologies, innovations and

Information;

- (b) Provide quality training facilities for agricultural development;
- (c) Promotion of sustainable land use and conservation of natural Resources;
- (d) Promote household food security;
- (e) To provide improved germplasm to users
- (f) Promote value-addition and utilization of agricultural produce; and
- (g) Promote commercialization of agricultural enterprises.

Functions

The following are the core functions of ATCs:

The following are the core functions of ATCs:

- (a) To offer residential and non-residential(including outreach) training on relevant technologies backed with practical demonstrations;
- (b) To provide training facilities to farmers and other stakeholders involved in Agriculture and development;
- (c) To maintain a model farm for training purposes and for demonstration to Stakeholders in agriculture;
- (d) To provide facilities for and participate in carrying out adaptive on-farm as well as national performance trials of relevant technologies;
- (e) To serve as bulking centres of plant materials, multiplication of livestock and fingerlings for farmers and conservation of germplasm;
- (f) To generate revenue for self-financing of commercial activities;
- (g) To provide incubation for viable agri-business to stakeholders and tailor made ATVET hands on skills and knowledge.

Mandate/Scope

Agricultural Training Centres are vital training institutions whose functions include regular short term class training sessions, farm demonstrations and outreach activities in a defined catchment area.

The primary clientele include small scale farmers and pastoralists who form the bulk of the Kenyan farming community.

A key component of a complete ATC mandate is operation of a model farm enterprise in which the skills imparted through training are actualized and provided as evidence to farmers to adapt in their farms.

Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2021

A recent function of ATCs is to act as bulking and multiplication centres for improved production materials for crop and livestock as well as germplasm conservation.

Further, the ATCs are to promote Agri-business through business incubation for individuals, the youth, women and other groups involved in agricultural enterprises for the locally produced commodities. This entails providing facilities for value addition and capacity building for the Small and Medium Enterprises (SMEs).

a) Registered Offices

P.O. Box 4550
Municipal Building
Kisii-Keroka Road
Nairobi, KENYA

b) Fund Contacts

Telephone: (254) 582030005
E-mail: ifo@kisii.go.ke
Website: www.kisii.go.ke

c) Fund Bankers

Kenya Commercial Bank
Kisii Branch
P.O. Box 476-40200
Kisii












d) Independent Auditors

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


e) Principal Legal Adviser

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

BOARD MEMBERS

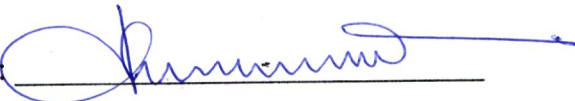
PICTURE	Name	Position	Details of qualifications and experience
	Astariko Atika	Chair	Diploma in admiration/CPA/Famer
	Rachael Segita	V/Chair	Diploma business administration/Famer
	Ronald Onduso	Member	MCA/.Diploma environmental Science/Famer
	John Kibagendi	Member	Business/Famer
	Dorcus Nyagacha	Member	O'level/Famer
	Christopher Bichage	Member	Accountant/Famer
	Stanley Ogechi	Member	Teacher/Famer
	Castro Nyaribo	Member	Teacher/Famer (Youth rep)
	Mellen Maake	Member	Famer
	Ezekiel Ondari	Member	Famer (Disability Rep)
	Dorice Omwocha	SecretaryB OM	Principal KATC/Masters in Agriculture

**Demonstration Farm Fund Kisii
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	Nathan Soire	Member	Director agriculture/Msc Agric & Extension
	Esman Onsarigo	Ex.Official	CEC.Agriculture,livestock,Fisheries & Cooperative .DEV.
	Mr. Geoffrey Mogire	Ex.official	Chieff officer agriculture




BOARD/FUND CHAIRPERSON'S REPORT

The fund realised remarkable improvement in its revenue collection. This was mainly attributed to commitment by the key management team in ensuring that resources were always available to undertake the intended activity as and when need arises. The team also put in place mechanisms ensure that the entire possible revenue streams are tapped. We look for in ensuring that there is continuous improvement and that the objective of the fund is achieved.

Signed: 

Astariko Otieno Atika

f) Key Management

Ref	Name	Position
1	 Mr. Godfrey Mogire	Chief Officer Agriculture & Cooperative Development
2	 Ms. Dorice Ombuna	Principal Kisii ATC
3	 Mr. John Nyandanyi	Deputy Director Finance

2. REPORT OF THE FUND ADMINISTRATOR

The fund realised remarkable improvement in its revenue collection. This was mainly attributed to commitment by the key management team in ensuring that resources were always available to undertake the intended activity as and when need arises. The team also put in place mechanisms ensure that the entire possible revenue stream is tapped. We look for in ensuring that there is continuous improvement and that the objective of the fund is achieved.

Signed: 

Dorice Ombuna

3. CORPORATE GOVERNANCE STATEMENT

Board of management meetings held;

Date	Members Attendance	In attendance	Key activity
2/7/2021	10	5	Inauguration of the Board of management
17/8/2020	12	2	Induction of board members.
16/12/2020	12	5	BOM meeting
8/3/2021	12	7	ATC Land survey
16/3/2021	13	6	BOM meeting
8/4/2021	12	7	ATC Land survey

The board of management performs the following roles

- Link theK ATC with the community within the county.
- Offer advisory services to enhance KATC management.
- Facilitate acquisition and safeguarding of KATC Properties.
- Encourage stakeholder participation in KATC programs.
- Market KATC products and services to public/local community.
- In liason with the department, mobilize resources from stakeholders and development partners.
- Review asset and security status of the ATC and make recommendations.

The board is appointed by the Kisii County Executive Committee member in charge of agriculture department for period 3year term renewable once. Farmers are selected from sub counties.

(Under this section, include the number of Board meetings held and the attendance to those meetings by members, succession plan, existence of a board charter, process of appointment and removal of trustees, roles and functions of the Board, induction and training, board and member performance, conflict of interest, board remuneration, ethics and conduct as well as governance audit.)

4. MANAGEMENT DISCUSSION AND ANALYSIS

During the year the management held quarterly meetings for both board of management and technical management committee.

Key development projections and investment plans were discussed and agreed upon to improve the performance of the institution. Key among them include: acquisition of title deed, valuation of institution assets and completion of the on-going projects.i.e hostel, famer's resource canter and modern zero grazing unit .also discussed was accreditation of Kisii ATC as TVET

Two- three pages

(Under this section, the management gives a report on the operational and financial performance of the Fund/Board during the period, entity's key projects or investments decision implemented or ongoing, Fund's compliance with statutory requirements, major risks facing the Fund, material arrears in statutory and other financial obligations, and any other information considered relevant to the users of the financial statements.)

The management should make use of tables, graphs, pie charts and other descriptive tools to make the information as understandable as possible.)

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The fund supports enterprises in the farm and the training section that requires casual labour that is mainly sourced from the neighbourhood like tea pickers, dairy attendants, farm attendants, training facilities maintenance thus hostels cleaning, as source of employment and income to many in the area mainly women and youths who work as farm attendants they are given piece meal work as per demand or need arise. This in turn has helped them be able to educate their children and pay for their health care.

The enterprises in the farm are also training avenues for the farmers in the region on modern agricultural technologies at Zero costs during organised farmer field days. This has been source of empowerment to the community hence improved family incomes that enables them to cater for their family needs thus the fund contributes to the society.

On environmental conservation the organization has been in cooperating the environmental conservation aspects in their farmer trainings during the farmer open days such as planting of trees, use of conservation technologies such as fireless, Improved jikos in the kitchen, Use of biogas, planting of fuel wood and avoiding the planting of trees that are heavy consumers of water.

The organization also trains its clients on value addition and agro processing through the fund. This has helped to improve nutrition and healthcare. This has also become a source of employment and income to the community.

5. REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Fund affairs.

Principal activities

Principal activities

The principal activity is to provide funds for developments and running of the commercial enterprises at ATCs

Results

The results of the Fund for the year ended June 30, 2020 are set out on page 12

Trustees

The members of the Board of Trustees who served during the year are shown on page 3.

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to audit the Demonstration Farm Fund Kisii for the year/period ended June 30, 2021

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of Demonstration Farm Fund Kisii shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the 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 ended on June 30, 2020. 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 Fund; (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 Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the Demonstration Farm Fund Kisii accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the 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

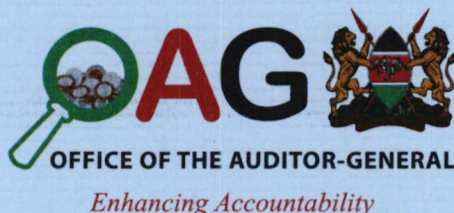
The Fund's financial statements were approved by the Board on 29th Sept. 2021 and signed on its behalf by:



Administrator of the County Public Fund

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON DEMONSTRATION FARM FUND KISII FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Demonstration Farm Fund Kisii set out on pages 16 to 44, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

amounts 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 35 of the Public Audit Act, 2015. 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.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Demonstration Farm Fund Kisii as at 30 June, 2021, 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 comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Long Outstanding Receivables

As disclosed in Note 5 to the financial statements, the statement of financial position reflects current portion of long-term receivables from exchange transaction balance of Kshs.6,295,150 which includes an amount of Kshs.4,713,000 relating to a transfer to Kisii County Executive imprests account. The amount was to be repaid to the Fund after the County Executive received its funding from the National Government but the balance was still outstanding as at 30 June, 2021.

In the circumstances, the regularity of the current portion of longterm receivables balance of Kshs.4,713,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Demonstration Farm Fund Kisii Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects an approved budget and actual receipts of Kshs.13,786,500 and Kshs.11,279,360 respectively, resulting in an under-collection of Kshs.2,507,140 or 18% on the budgeted amount. Similarly, the statement reflects expenditure budget and actual expenditure on comparable basis of Kshs.13,002,375 and Kshs.12,986,169 respectively, resulting to under-expenditure of Kshs.16,206 or 10% of the budget.

The under-funding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2021. Management has not provided reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Irregular Operation of the Fund

The Fund was established through Legal Notice No 456 dated 19 November, 1990 under Exchequer and Audit Act, 412 (now repealed). The Act has since been replaced by Public Finance Management Act, 2012 and Public Audit Act, 2015. Review of the minutes revealed that the Board drafted a bill for the Fund which has never been tabled in the County Assembly.

In the circumstances, existence of the Fund is in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit 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 my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness 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.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 my 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable 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 Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit

report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 September, 2022

6. FINANCIAL STATEMENTS

**6.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30thJUNE 2021**

	Note	2020/2021	2019/2020
		KShs	KShs
Revenue from farm and training activities			
Revenue from farm and training	1	11,279,360	12,907,409
Total revenue		11,279,360	12,907,409
Expenses			
Transfer to county account	2	1,780,681	1,919,282
General expenses	3	11,205,488	9,446,845
Total expenses		12,986,169	11,366,127
Surplus/(deficit)for the period		(1,706,809)	1,541,282

The notes set out on pages 33 to 44 form an integral part of these Financial Statements

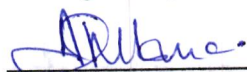
**emonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2021**

6.2. STATEMENT OF FINANCIAL POSITIONAS AT 30 JUNE 2021

STATEMENT OF FINANCIAL POSITIONAS AT 30 JUNE 2021			
Assets			
Current assets			
Cash and cash equivalents	4	2,303,488	4,010,297
Current portion of long term receivables from exchange transactions	5	6,295,150	4,889,050
Non-current assets			
Property, plant and equipment	6	1,815,039,000	
Biological Assets	7	5,107,000	
Long term receivables from exchange transactions			
Total assets		1,828,744,638	8,899,347
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	8	377,306	-
Total liabilities		377,306	-
Net assets		1,828,367,332	-
Capital Reserves(1 st July 2017)		6,763,409	-
Revaluation		1,820,146,000	
Accumulated surplus (2018-2021)		1,457,923	-
Total net assets and liabilities		1,828,367,332	8,899,347

Note: All assets had been valued during the financial year.

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 29th Sept 2021 and signed by:



Administrator of the Fund
Name: Dorice Ombuna



Fund Accountant
Name: John Nyandanyi
ICPAK Member Number:13733

**Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2021**

**6.3. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED
30 JUNE 2021**

	Capital reserve	Revaluation Reserve	Accumulat ed surplus	Total
	Kshs.	KShs	KShs	KShs
Capital as at 1 July 2017	6,763,409			6,763,409
Surplus/(deficit) as at 1 st July 2019		-	1,623,450	1,623,450
Surplus/(deficit) for the period 2019/2020		-	1,541,282	1,541,282
Revaluation		1,820,146,000	-	1,820,146,000
Surplus/(deficit)for the period 2020/2021			(1,706,809)	(1,706,809)
Balance as at 30 June 2021	6,763,409	1,820,146,000	1,457,923	1,828,367,332

6.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Cash flows from operating activities			
Receipts from Farm and Training activities	1	11,279,360	12,907,409
Total Receipts		11,279,360	12,907,409
Payments			
General expenses	3	11,205,488	9,446,845
Transfer to County account	2	1,780,681	1,919,282
Total Payments		12,986,189	11,366,127
Net cash flows from operating activities		(1,706,809)	1,541,282
Net increase/(decrease)in cash and cash equivalents		(1,706,809)	1,541,282
Cash and cash equivalents at 1st July 2020		4,010,297	2,469,015
Cash and cash equivalents at 30th, June 2021	4	2,303,488	4,010,297

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**6.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30th JUNE 2021**

	Proposed Original budget	Adjust- ments	Final Budget	Actual and comparative		
	2020/2021	2020/2	2020/2021	2020/2021		
Revenue	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations	-	-	-	-	-	-
Transfers from County Govt.						-
Interest income	-	-	-	-	-	-
Income from Farm Produce and Training	13,786,500	-	13,786,500	11,279,360.45	(2,507,140)	82%
Total income	13,786,500	-	13,786,500	11,279,360.45	(2,507,140)	82%
Expenses						
Fund administration expenses						
General expenses	10,596,375	600,000	11,196,375	11,193,187	3188	100%
Transfers to County Account	2,391,000	(600,000)	1,791,000	1,780,681	10,319	99.5%
Finance cost	15,000		15,000	12,301	2,699	82%
Total expenditure	13,002,375		13,002,375	12,986,169	16,206	99%

Foot Notes*

1: The management budget is based on projections at the beginning of financial year. The projection maybe under or over achieved depending on clients demand However in case of over achievement the expenditure will be higher than the planned budget and the revenue will be equally hire and vice vasa.

2*:The budgeted bank charges were 15,000 based on previous years trends but the actual charges were 12,301.giving a saving of 2699.

3*: The 2391,000 was projected transfer to county government but the realized transfer was lower 1,780,681 due to uncertainty of the bank balances.

6.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

The Fund'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 Fund. 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. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model

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Standard	Effective date and impact:
	<p>that is applicable to all financial instruments subject to impairment testing; and</p> <ul style="list-style-type: none"> • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

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

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.

4. Budget information

The original budget for FY 2020/2021 was approved by the County Assembly on 29th June, 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 8.5 of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. 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.

6. 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.

7. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. 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 conditions are 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 labour 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.

9. 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.

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

10. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

11. 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.

12. Employee benefits– Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. 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.

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.

13. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. 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.

15. 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 directors, the CEO and senior managers.

16. 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.

17. Comparative figures

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

18. Events after the reporting period

There were no material adjusting and non- adjusting events after the reporting period.

19. Currency

The financial statements are presented in Kenya Shillings (Kshs).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20. 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.

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. IPSAS 1.140. ⁴

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:

The condition of the asset based on the assessment of experts employed by the Entity

The nature of the asset, its susceptibility and adaptability to changes in technology and processes

The nature of the processes in which the asset is deployed

Availability of funding to replace the asset

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount KSh	Fully performing KSh	Past due KSh	Impaired KSh
At 30 June 2021				
Receivables from exchange transactions	1,582,150	1,582,150	-	-
Receivables from non exchange transactions(county debt)	4,713,000	4,713,000	-	-
Bank balances	2,303,488.97	2,303,488.97	-	-
Total	8,598,639	8,598,639	-	-
At 30 June 2020				
Receivables from exchange transactions	176,050	176,050	-	-
Receivables from non exchange transactions	4,713,000	4,713,000	-	-
Bank balances	4,010,297	4,010,297	-	-
Total	8,899,347	8,899,347	-	-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2021	-		-	-
Trade payables	-	377,306	-	377,306
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	377,306	-	377,306

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

i. Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	KShs	Other currencies KShs	Total KShs
At 30 June 2021			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency sensitivity analysis

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
2021			
Euro	-	-	-
USD	-	-	-
2020	-	-	-
Euro	-	-	-
USD	-	-	-

ii. Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

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

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2020/2021	2019/2020
	KSh	KSh
Revaluation reserve	1,820,146,000	-
Capital Reserve	6,763,409	
Government fund		
Accumulated surplus	1,457,923	-
Total funds	1,828,367,332	8,899,347
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

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6.7. NOTES TO THE FINANCIAL STATEMENTS

1. Income from Farm and training activities.

Description	2020/2021	2019/2020
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	5,500	-
Income from disposal of animals and bull calves	182,000	
Income from farm produce(Milk and crops)	1,505,800	2,016,610
Income from training activities	9,586,059	10,890,799
Miscellaneous income		
Total income	11,279,360	12,907,409

2. Transfer to County Account

Description	2020/2021	2019/2020
	KShs	KShs
Transfer to County Account	1,780,681	1,919,282
Total	1,780,681	1,919,282

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. General expenses

Description		
Farm operations and hospitality	11,193,187	9,436,522
Bank Charges	12,301	10,323
Total	11,205,488	9,446,845

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4. Cash and cash equivalents

Description	2020/2021	2019/2020
	KSh	KSh
Car loan account	-	-
County mortgage account	-	-
Fixed deposits account	-	-
On – call deposits	-	-
Current account	2,303,488	4,010,297
Others		
Total cash and cash equivalents	2,303,488	4,010,297

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

. Detailed analysis of the cash and cash equivalents are as follows:

Financial institution	Account number	2020/2021	2019/2020
		KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) Current account			
Kenya Commercial bank	1106481267	2,303,488	4,010,297
Bank B			
Sub- total		2,303,488	4,010,297
d) Others(specify)			
Cash in transit			
Cash in hand			
M-Pesa			
Sub- total			
Grand total		2,303,488	4,010,297

Kshs. 4010,297 the amount remains is DFF fund and used as start capital for the proceeding financial year

5.Receivables from exchange transactions

Description	2020/2021	2019/2020
	KShs	KShs
Current Receivables		
Interest receivable	-	-
Transfer to county imprest account	4,713,000	4,713,000
Other exchange debtors	1,582,150	176,050
Less: impairment allowance		
Total Current receivables	6,295,150	4,889,050
Non Current receivables		
Long term loan repayments due		-

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Total Non- current receivables		-
Total receivables from exchange transactions	6,295,150	4,889,050

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Property, plant and equipment

	Land	Buildings and fittings	Motor vehicles	Kitchen Ware /Beddings and linen	Computers and office equipment	Total
Cost	KShs		KShs	KShs	KShs	KShs
At 1 st July 2020	-		-	-	-	
Additions	1,600,000,000	206,255,000	5,235,000	774,000	2,775,000	1,815,039,000
At 30 th June 2021	1,600,000,000	206,255,000	5,235,000	774,000	2,775,000	1,815,039,000

7. Biological Assets

	Biological assets				Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1 st July 2020	-	-	-	-	
Additions	5,242,000				5,242,000
Disposals Cowno.248,251, 255,194B	135,000	-	-	-	135,000
Transfers/adjustments	-	-	-	-	
At 30 th June 2021	5,107,000	-	-	-	5,107,000

8. Trade and other payables from exchange transactions

Description	2020/2021	2019/2020
	KShs	KShs
Trade payables	377,306	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
Total trade and other payables	377,306	-

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Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Board of Trustees; etc

b) Due from related parties

	2020/2021	2019/2020
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	4,713,000	4,713,000
Total	4,713,000	4,713,000

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7. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1 KSI/DEM FARM/2018 /2019(32)	1.Presentation of financial statements	Improvement in the subsequent years	Evans Kiage Assistant Director Accounting Kisii county	Resolved	
2	2Inaccuracies in financial statement	Improvement subsequent year	Evans Kiage Assistant Director Accounting Kisii county	Resolved	
3	3.Current portion from long term receivables from exchange transaction	Kshs.1,287,000	1.John Nyandani Deputy Chief Accounting Officer 1.Moses Onderi CEC Finance Kisii County	Not Resolved	By March 2022
4	4.0Property,plant and equipment's	Valuation done included in 2020/21 financial statement	Dorice Ombuna Principal Kisii ATC	Resolved	
5.	4.2Land and buildings	Valuation done Valuation done included in 2020/21 financial statement	Dorice Ombuna Principal Kisii ATC	Resolved	
6.	Motor vehicles	Valuation done included in 2020/21	Dorice Ombuna	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		financial statement	Principal Kisii ATC		
7.	Biological assets	Valuation done included in 2020/21 financial statement	Dorice Ombuna Principal Kisii ATC	Resolved	
8	Statement of comparison of Budget and Actual Amounts	The approved estimate from agriculture kshs14,940,000 (Recurent & Development) is not normally allocated in Kisii ATC Demonstration Farm Fund Account.	Chief officer Agriculture & Cooperative Development. Godfrey Mogire	Resolved	