AUTOMOBILE ASSOCIATION OF KENYA

CONSOLIDATED ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

CONTENTS

REPORT OF THE GOVERNING COUNCIL (CONTINUED)

STATEMENT AS TO DISCLOSURE TO THE ASSOCIATION'S AUDITOR

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

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

TERMS OF APPOINTMENT OF THE AUDITOR

PKF Kenya LLP has indicated willingness to continue in office. The Governing Council monitor the effectiveness, objectivity and independence of the auditor. The Governing Council also approves the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

BY ORDER OF THE GOVERNING COUNCIL

Approved by the governing council on 10th August 2026 and signed on its behalf by:

EKMwongera

ENG. ERASTUS K. MWONGERA
SECRETARY
NAIROBI

PKF

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF AUTOMOBILE ASSOCIATION OF KENYA

Report of the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Association and association, set out on pages 8 to 31 which comprise the association's statement of financial position as at 31 December 2025 and the statement of surplus or deficit and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the association as at 31 December 2025 and the association's financial performance and cash flows for the year then ended in accordance with the IFRS for SMEs Accounting Standard.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - preparation of financial statements on a basis other than that of a going concern

Without qualifying our opinion, we draw attention to the basis of preparation of the financial statements in Note 1(a) which explains that the financial statements have been prepared on a basis other than that of a going concern.

Other information

The Governing Council is responsible for the other information. The other information comprises the Governing Councils' report, Responsibilities of the Governing Council and the schedule of expenditure but does not include the financial statements and auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PKF

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF AUTOMOBILE ASSOCIATION OF KENYA (CONTINUED)

Report of the Audit of the Financial Statements (Continued)

Responsibilities of the Governing Council for the Financial Statements

The Governing Council is responsible for the preparation of financial statements that give a true and fair view in accordance with the IFRS for SMEs Accounting Standard and for such internal control as management determines is necessary to enable the preparation of association's financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the association's financial statements, the Governing Council is responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governing Council either intend to liquidate the association or to cease operations, or has no realistic alternative but to do so. As disclosed in Note 1(a) the members approved a restructuring of the Association, and hence the entities will cease operations as soon as the new entity is incorporated.

The Governing Council are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.

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

- Conclude on the appropriateness of the Governing Council's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. The association transfers its operations including assets and liabilities to new entity as part of the demutialization, hence accounts are prepared on a basis other than going concern

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REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF AUTOMOBILE ASSOCIATION OF KENYA (CONTINUED)

Report of the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner responsible for the audit resulting in this report of the independent auditor is CPA Mike Njuguna Kimundu, Practising certificate No. 2235

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

17 August, **2026**

925/26

UNIQUE CODE: 58673260722

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STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

	Notes	Group Discontinued operations* 2025 Shs	Group Discontinued operations* 2024 Shs	Association Discontinued operations* 2025 Shs	Association Discontinued operations* 2024 Shs
Revenue	2	998,867,276	940,916,081	981,637,017	923,836,312
Direct expenses		(508,361,556)	(505,312,548)	(508,361,556)	(505,312,548)
Gross margin		490,505,720	435,603,533	473,275,461	418,523,764
Other operating income	3	4,458,990	12,698,799	4,458,990	12,698,799
Administrative expenses		(248,735,485)	(283,106,074)	(239,791,430)	(272,288,494)
Other operating expenses		(129,027,711)	(93,622,227)	(128,241,271)	(92,669,916)
Operating surplus before finance costs	4	117,201,514	71,574,031	109,701,750	66,264,153
Finance costs	6	(5,271,885)	(13,970,874)	(5,271,885)	(13,970,874)
Surplus before tax		111,929,629	57,603,157	104,429,865	52,293,279
Tax (charge)	7	(11,167,068)	(2,611,483)	(8,872,069)	(881,934)
Surplus for the year		100,762,561	54,991,674	95,557,796	51,411,345
Other comprehensive income:					
Items that will not be reclassified subsequently to income and expenditure:					
Deficit on revaluation - property and equipment	11	(61,203,661)	-	(61,203,661)	-
- Deferred tax (charge) on property and equipment revaluation	11	8,729,193	-	8,729,193	-
		(52,474,469)	-	(52,474,468)	-
Total comprehensive income for the year		48,288,093	54,991,674	43,083,328	51,411,345

The notes on pages 13 to 31 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

*Refer to Note 2(a) to the financial statements.

ASSOCIATION STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December Discontinued operations* 2025 Shs	2024 Shs
MEMBERS FUNDS			
Retained surplus		340,747,920	244,701,142
Dimutualisation reserve		(325,121,017)	-
Revaluation reserve	11	-	52,963,450
		15,626,903	297,664,592
Non-current liabilities			
Deferred tax	9	-	8,907,453
		15,626,903	306,572,045
REPRESENTED BY			
Non-current assets			
Property and equipment	10	-	202,281,414
Intangible asset	12	-	2,336,926
Investment in subsidiaries	13	-	30,000,000
		-	234,618,340
Current assets			
Inventories	14	-	4,484,183
Trade and other receivables	15	-	172,452,607
Cash and cash equivalents	16	-	100,550,037
Tax recoverable		15,626,903	19,423,247
		15,626,903	296,910,074
Current liabilities			
Borrowings	8	-	42,865,611
Trade and other payables	17	-	149,619,516
Deferred income	18	-	32,471,242
		-	224,956,369
Net current assets		15,626,903	71,953,705
		15,626,903	306,572,045

The financial statements on pages 8 to 31 were approved and authorised for issue by the Governing Council on 10th August 2026 and were signed on its behalf by:

JINARO KIBET
PRESIDENT

AGGREY JONATHAN BETT
TREASURER

The notes on pages 13 to 31 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

*Refer to Note 2(a) to the financial statements.

STATEMENT OF CASH FLOWS

		Group		Association	
	Notes	2025 Shs	2024 Shs	2025 Shs	2024 Shs
Cash flows from operating activities					
Surplus before tax		111,929,629	57,603,157	104,429,865	52,293,279
Adjustments for:					
Depreciation on property and equipment	10	17,424,697	20,158,122	17,335,052	20,059,269
Amortisation of intangible assets	12	1,036,119	715,740	1,036,119	715,740
(Gain) on disposal of property and equipment	3	(231,418)	(6,024,710)	(231,418)	(6,024,710)
Provision for bad debts		(3,831,858)	(4,502,423)	(3,831,858)	(4,502,423)
Interest expense	6	5,271,885	13,970,874	5,271,885	13,970,874
Changes in working capital:					
- inventories		(10,247,378)	2,072,981	(10,247,378)	2,072,981
- trade and other receivables		(80,830,640)	(48,306,926)	(61,875,449)	(41,570,303)
- trade and other payables		19,756,430	24,652,019	6,589,979	22,872,614
- deferred income		(2,647,663)	2,707,613	(2,647,663)	2,707,613
- restricted balances	16	20,000	(17,245,507)	20,000	(17,245,507)
Cash generated from operations		57,649,803	45,800,940	55,849,134	45,349,427
Tax paid		(7,690,821)	(4,213,385)	(5,253,985)	(3,190,515)
Net cash generated from operating activities		49,958,982	41,587,555	50,595,149	42,158,912
Cash (used in) investing activities					
Purchase of property and equipment	10	(13,690,050)	(16,977,693)	(13,623,930)	(16,977,693)
Purchase of intangible assets	12	(1,560,646)	(2,054,910)	(1,560,646)	(2,054,910)
Proceeds from disposal of property and equipment		474,360	6,882,384	474,360	6,882,384
Net cash (used in) investing activities		(14,776,336)	(12,150,219)	(14,710,216)	(12,150,219)
Cash flows from/(used in) financing activities					
Interest paid		(5,271,885)	(13,970,874)	(5,271,885)	(13,970,874)
(Repayment) of borrowings		(42,865,611)	(22,104,175)	(42,865,611)	(22,104,175)
Net cash (used in) financing activities		(48,137,496)	(36,075,049)	(48,137,496)	(36,075,049)
(Decrease) in cash and cash equivalents		(12,954,850)	(6,637,713)	(12,252,563)	(6,066,356)
Movement in cash and cash equivalents					
At start of year		16,731,661	23,369,374	16,029,374	22,095,730
Transfer on dimutualisation		-	-	-	-
(Decrease)		(12,954,850)	(6,637,713)	(12,252,563)	(6,066,356)
At end of year	16	3,776,811	16,731,661	3,776,811	16,029,374

The notes on pages 13 to 31 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

2. **Significant Accounting Policies (continued)**

b) **Key sources of estimation uncertainty (continued)**

- **Useful lives, depreciation methods and residual values of property and equipment and intangible assets** - the Governing Council reviews the useful lives, depreciation methods and residual values of the items of property and equipment and intangible assets on a regular basis. During the financial year, the Governing Council determined no significant changes in the useful lives and residual values.

c) **Significant judgements made by management in applying the Association's accounting policies**

The Governing Council has made the following judgements that are considered to have the most significant effect on the amounts recognised in the financial statements:

- **Impairment of trade receivables** - the Association reviews their portfolio of trade receivables on an annual basis. In determining whether receivables are impaired, the Governing Council makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cash flows expected. Amount receivable from students is secured with the issuance of a clearance letter from driving school in order to book exam including those sponsored by the government through CDF funding.

- **Leasehold land** - land that is held under lease from the Government of Kenya has been classified as a finance lease. In forming this judgement, the Governing Council has considered the fact that while the title to the land does not pass to the association and that the term of the current lease does not represent a major part of the economic useful life of the land, the association is expected to continually seek renewal of the lease on expiry and that such renewal will be forthcoming from the Government resulting in the risks and rewards incidental to ownership of the land to accrue to the Association.

- **Impairment of investment in subsidiary** - At end of each period the company assesses as whether the investment in subsidiary is impaired. In the current year the company has relied on the valuation provided by an independent valuer, The management has taken into consideration the projected growth of the Association which is expected to translate to the subsidiary.

- **Demutualization – Accounting by the Transferee and Transferor** - The Association applied significant judgement in determining the appropriate accounting treatment for the demutualization. Following an assessment of the transaction's substance, the Association concluded that the restructuring meets the definition of a common-control transaction and should be accounted for using merger accounting.

  For the transferee, the assets and liabilities received were recognised at their existing carrying values. This reflects the continuity of control before and after the transaction and the absence of a fair-value exchange. No goodwill was recognised.

  For the transferor, the derecognition of the assets and liabilities was also performed at carrying value. Any difference between the carrying amounts transferred and the consideration received, if any, was recognised directly in equity rather than profit or loss, consistent with the nature of a common-control transaction. This treatment reflects that the transaction is a reorganisation within the same controlling parties rather than an arm's-length disposal.

  This approach required careful judgement, particularly in evaluating the continuity of control, the purpose of the restructuring, and the principle that common-control transactions do not create or eliminate economic value for the group as a whole.

2. **Significant Accounting Policies (continued)**

d) **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and performance of services, in the ordinary course of business and is stated net of Value Added Tax (VAT), rebates and discounts.

The Association recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the Association's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Association bases its estimates on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement.

i) Driving school is accounted for upon registration of student and is recognised over the lessons received
ii) Technical and towing fees is recognised upon performance of sevices and acceptance of the services by the customer.
iii) Rental income is accrued by reference to time on a straight line basis over the lease term.
iv) Subscriptions and members' entrance fees are recognised over the period of membership. receipt of payment.
v) Brokerage commission is accounted for on accrual basis.

e) **Property and equipment**

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

Leasehold land and buildings are subsequently shown at fair value, based on periodic valuations less subsequent depreciation.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and credited to revaluation reserve in equity except to the extent that the increase reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. Decreases that offset previous increases of the same asset are charged to other comprehensive income; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

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

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

2. **Significant Accounting Policies (continued)**

j) **Borrowings**

Borrowings are recognised initially at the transaction price (that is, the present value of cash payable to the bank, including transaction costs). Borrowings are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the association has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

k) **Trade payables**

Trade payables are recognised initially at the transaction price. They are obligations on the basis of normal credit terms and do not bear interest.

l) **Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to surplus or deficit on a straight-line basis over the period of the lease.

m) **Investment in subsidiary**

The investment in subsidiary is shown at cost and provision is only made where, in the opinion of the Governing Council, there is a permanent diminution in the value. Where there has been a permanent diminution in value, it is recognised as an expense in the year in which the diminution is identified.

n) **Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in the comprehensive income or in equity. In this case, the tax is also recognised in other comprehensive income or equity.

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

Deferred tax
Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised.

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

NOTES (CONTINUED)

	Group		Association	
	2025	2024	2025	2024
2. **Revenue**	Shs	Shs	Shs	Shs
Driving school	535,587,881	485,576,685	535,587,881	485,576,685
Technical fees	70,000,130	71,193,226	70,000,130	71,193,226
Membership subscriptions	84,374,487	86,644,669	84,374,487	86,644,669
International driving permits	57,240,879	61,609,739	57,240,879	61,609,739
Towing fees	36,655,659	37,874,376	36,655,659	37,874,376
Seminar income	35,321,790	42,311,479	35,321,790	42,311,479
Brokerage commission	17,230,259	17,079,769	-	-
Installation income	37,498,822	28,059,436	37,498,822	28,059,436
Institute income	64,729,069	43,074,012	64,729,069	43,074,012
Carnet de passage sales	8,383,804	9,401,406	8,383,804	9,401,406
Revenue from sale of materials	19,584,815	17,858,022	19,584,815	17,858,022
License service charges	15,111,548	13,242,085	15,111,548	13,242,085
Miscellaneous income	17,148,133	26,991,177	17,148,133	26,991,177
	998,867,276	940,916,081	981,637,017	923,836,312

3. **Other operating income**				
Rental income	604,310	638,793	604,310	638,793
Interest income	-	-	-	1,985,296
F.I.A income	3,623,262	4,050,000	3,623,262	4,050,000
Gain on disposal of property and equipment	231,418	6,024,710	231,418	6,024,710
	4,458,990	12,698,799	4,458,990	12,698,799

4. **Surplus before tax**				
The following items have been charged in arriving at surplus before tax				
Depreciation on property and equipment (Note 10)	17,424,697	23,216,791	17,335,052	20,059,269
Amortisation of intangible assets (Note 12)	1,036,119	2,680,194	1,036,119	715,740
Gain on disposal of property and equipment	231,418	6,024,710	231,418	6,024,710
Governing council remuneration	24,478,738	24,874,502	24,478,738	28,865,877
Auditors' remuneration				
- current year	1,541,812	1,460,000	1,200,000	1,200,000
- under provision in prior years	-	(29,163)	-	-
Operating lease rentals	71,842,006	62,391,313	71,482,006	62,031,313
Provision for doubtful debts	4,670,609	4,866,830	(3,009,277)	(6,463,413)
Repairs and maintenance	2,251,661	1,884,722	2,243,161	1,884,722
Staff costs (Note 5)	471,176,316	488,212,864	471,176,316	479,431,700

5. **Staff costs**				
Salaries and wages	407,511,944	405,576,304	400,246,991	397,529,612
Staff costs	51,370,848	63,714,690	50,620,764	62,980,218
Pension costs:				
- defined contribution scheme	15,181,856	18,028,870	15,181,856	18,028,870
- National Social Security Fund	5,126,705	893,000	5,126,705	893,000
	479,191,353	488,212,864	471,176,316	479,431,700

NOTES (CONTINUED)

8. **Borrowings (continued)**

The bank borrowings, overdraft and finance leases are secured by the following:

a) Corporate guarantee by AA Limited supported by a first legal charge of Shs. 96 million over property L.R. No. 209/12325.

	2025	2024
Weighted average effective interest rates at the year-end were as follows:	%	%
Bank loans (reducing balance basis)	17%	17%

9. **Deferred tax**

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2024: 30%). The movement on the deferred tax account is as follows:

	Group		Association	
	2025	2024	2025	2024
	Shs	Shs	Shs	Shs
The movement on the deferred tax account is as follows:				
At start of year	7,835,834	8,446,442	8,907,453	9,312,318
(Credit) to surplus or deficit (Note 7)	31,314	(499,128)	(178,261)	(404,865)
Charge to equity	-	-	-	-
	7,867,148	7,947,314	8,729,193	8,907,453
Transfer on dimutualisation (Note 21)	(7,867,148)	-	(8,729,193)	-
At end of year	-	7,947,314	-	8,907,453

Deferred tax (assets)/liabilities in the statement of financial position, deferred tax charge to other comprehensive income and deferred tax charge to profit or loss are attributable to the following items:

Group	**At start of year Shs**	**Charge to statement of surplus or deficit Shs**	**Charge to statement of changes in equity Shs**	**At end of year Shs**
Deferred tax liability/(assets)				
Property and equipment				
- cost	(23,489)	110,200	(86,711)	-
- revaluation	8,819,462	(90,270)	(8,729,193)	-
Equipment	(111,480)	11,383	100,097	-
Provision for doubtful debts	(848,659)	848,659	-	-
Net deferred tax liability	7,835,834	879,973	(8,715,807)	-

Association	**At start of year Shs**	**Charge to other comprehensive income Shs**	**Charge to statement of changes in equity Shs**	**At end of year Shs**
Deferred tax liability/(assets)				
Property and equipment				
- cost	87,991	(87,991)	-	-
- revaluation	8,819,462	(90,270)	(8,729,193)	-
Net deferred tax liability	8,907,453	(178,261)	(8,729,193)	-

This relates to the deferred tax on the revaluation reserve on the property and equipment. This is computed at rate of 15% (2024: 15%).

NOTES (CONTINUED)

10. **Property and equipment**

Association	Leasehold land Shs	Leasehold improvement Shs	Buildings Shs	Motor vehicles Shs	Furniture and fittings Shs	Office equipment Shs	Total before transfer Shs	Transfer on dimutualisation Shs	Total Shs
Cost									
At start of year	60,000,000	54,035,273	80,000,000	135,922,568	23,423,883	74,072,820	427,454,544	(427,454,544)	-
Additions	-	1,568,114	-	3,531,207	1,304,136	7,220,473	13,623,930	(13,623,930)	-
Disposals	-	(89,074)	-	(2,601,211)	-	(262,490)	(2,952,775)	2,952,775	-
At end of year	60,000,000	55,514,313	80,000,000	136,852,564	24,728,019	81,030,803	438,125,699	(438,125,699)	-
Depreciation									
At start of year	606,061	47,211,440	1,600,000	115,979,175	15,525,166	44,251,288	225,173,130	(225,173,130)	-
Disposals	-	-	-	(2,530,545)	-	(179,288)	(2,709,833)	2,709,833	-
Charge for the year	606,061	2,430,977	1,568,000	4,372,365	1,689,039	6,668,610	17,335,052	(17,335,052)	-
At end of year	-	49,642,417	3,168,000	117,820,995	17,214,205	50,740,610	239,798,349	(239,798,349)	-
Net carrying amount:									
As at 31 December 2025	58,787,878	5,871,896	76,832,000	19,031,569	7,513,814	30,290,193	198,327,350	(198,327,350)	-
As at 31 December 2024	59,393,939	6,823,833	78,400,000	19,943,393	7,898,717	29,821,532	202,281,414	-	-

Leasehold land and buildings have been pledged as security against borrowings as disclosed in Note 8

NOTES (CONTINUED)

11 **Revaluation reserve (continued)**	Group and Association 2025 Shs	2024 Shs
The movement in each category of reserve is as follows:		
Leasehold land		
At start of year	51,656,759	52,168,284
Transfer of excess depreciation	(601,794)	(601,794)
Deferred tax on excess depreciation transfer	90,269	90,269
Transfer on demutualization as at end of year	51,145,234	51,656,759
Transfer on dimutualisation(Note 21)	(51,145,234)	-
	-	51,656,759
Buildings		
At start of year	1,306,691	1,283,686
Transfer of excess depreciation	26,523	27,064
Deferred tax on excess depreciation transfer	(3,978)	(4,060)
Transfer on demutualization as at end of year	1,329,236	1,306,691
Transfer on dimutualisation(Note 21)	(1,329,236)	-
	-	1,306,691

The revaluation reserve is not distributable.

12. **Intangible assets**	Group 2025 Shs	Group 2024 Shs	Association 2025 Shs	Association 2024 Shs
Cost				
At start of year	18,249,875	16,194,965	18,020,375	15,965,465
Additions	1,560,646	2,054,910	1,560,646	2,054,910
At end of year	19,810,521	18,249,875	19,581,021	18,020,375
Amortisation				
At start of year	15,912,949	15,197,210	15,683,449	14,967,709
Charge for the year	1,036,119	715,740	1,036,119	715,740
At end of year	16,949,068	15,912,950	16,719,568	15,683,449
Net book value	2,861,453	2,336,925	2,861,453	2,336,926
Transfer on dimutualisation (Note 21)	(2,861,453)	-	(2,861,453)	-
Net carrying amount at end of year	-	2,336,925	-	2,336,926

13. **Investment in subsidiary**	Country of of incorporation	% Holding	Association 2025 Shs	Association 2024 Shs
AA Limited (Limited by guarantee)	**Kenya**	**100**	30,000,000	30,000,000
Transfer on dimutualisation (Note 21)			(30,000,000)	-
At start and end of year			-	30,000,000

The Association's subsidiary AA Limited has invested in AA Insurance Brokers Limited, an insurance brokerage licensed by the Insurance Regulatory Authority.

	Group		Association	
	2025	**2024**	**2025**	**2024**
	Shs	**Shs**	**Shs**	**Shs**
16. **Cash and cash equivalents (continued)**				
For the purposes of the statement of cash flows, the year end cash and cash equivalents comprise the following:				
Cash and bank balances	88,277,474	101,252,324	88,277,474	100,550,037
Less:				
- short term bank deposits held under lien (restricted cash balances)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
- restricted public office funds	(81,500,663)	(81,520,663)	(81,500,663)	(81,520,663)
	3,776,811	16,731,661	3,776,811	16,029,374

Bank Accounts Held in the Name of the Association

Following the demutualization and common control restructuring, certain bank accounts remain legally in the name of the Association but are treated as assets of AA PLC based on the substance of the transaction. These accounts are used exclusively for the transferred operations, with all receipts relating to transferred debtors and all payments relating to transferred suppliers and obligations. Although legal ownership has not yet been updated, AA Kenya PLC recognises the balances and related cash flows in its financial statements as it controls the accounts and bears the economic risks and benefits, in line with the substance-over-form principle.

17. **Trade and other payables**

	Group 2025 Shs	Group 2024 Shs	Association 2025 Shs	Association 2024 Shs
Trade payables	30,325,005	38,312,417	23,263,309	34,804,178
Accruals	30,844,658	6,411,743	19,737,955	4,946,381
Other payables	24,742,215	23,907,840	24,742,215	23,879,493
Carnet member fund	6,965,353	4,468,801	6,965,353	4,468,801
Funds held on behalf of AA PLC (Note 19 and 20)	81,500,663	81,520,663	81,500,663	81,520,663
	174,377,894	154,621,464	156,209,495	149,619,516
Transfer on dimutualisation (Note 21)	(174,377,894)	-	(156,209,495)	-
	-	154,621,464	-	149,619,516

18. **Deferred income**

	Group 2025 Shs	Group 2024 Shs	Association 2025 Shs	Association 2024 Shs
At start of year	32,471,242	39,315,793	32,471,242	29,763,629
Release of deferred income to income statement/statement of changes in equity	(32,471,242)	(39,315,793)	(32,471,242)	(29,763,629)
Recognition of the deferred income for the year	29,823,579	32,471,242	29,823,579	32,471,242
At end of the year	29,823,579	32,471,242	29,823,579	32,471,242
Transfer on dimutualisation (Note 21)	(29,823,579)	-	(29,823,579)	-
	-	32,471,242	-	32,471,242

20. **Demutualization of the Association (continued)**

During an Extraordinary General Meeting held on 19 October 2021, members passed resolutions on restructuring the Association. This would involve demutualization of the Association, and thereafter, transfer of the business operations, assets and liabilities from current entities to a Public Limited Company (PLC). In the proposed structure, the society (Automobile Association of Kenya) would cease to exist and the PLC will take over its operations.

On 7th September 2023, the Board of Directors of AA Kenya PLC approved raising of capital by way of restricted public offer. The offer was open to members of the Automobile Association of Kenya and the employees of the association. The approval was passed for 30,683,325 shares at a price of Shs. 25.80 and issuance of short term prospectus to the Capital Market Authority for approval. The application was made on 19 September 2023 by the company to the capital markets authority. On 27 September 2023, the Capital Market Authority approved the application to raise capital through a Restricted Public offer.

AA Kenya PLC was able to raise Shs. 81,520,663 from the restricted public offer. This money was utilised as per the approval granted in the AGM for expansion and reorganisational of the business from a members association to a public limited.

The business was formerly transferd on formerly transferred on 31 December 2025 to AA Kenya PLC, which was determined as the long stop date; this is after both AA Kenya PLC and Automobile Association of Kenya had met the required regulatory requirents on transfer of business. See below details related to the business transfer and long stop date;

Longstop Date and Completion

The Agreement provided for a Longstop Date of 31 December 2025, being the deadline by which specified conditions precedent were to be satisfied or waived. Legal advice received confirms that the declaration of the Longstop Date did not, of itself, trigger automatic completion. Completion was conditional upon satisfaction or formal waiver of the outstanding conditions.

Based on the legal opinion obtained, completion is deemed to have occurred on 31 December 2025 following the issuance (or intended issuance) of a formal written waiver by the Operating Company in respect of any outstanding conditions precedent. Accordingly, ownership and control of the business are considered to have transferred to AA Kenya PLC on that date.

Operations from 1 January 2026

Although the Association continued to operate the business from 1 January 2026 for operational continuity, legal advice confirms that this period is regarded as post-completion. The Association is therefore considered to have acted on behalf of, and as agent for, AA Kenya PLC pending full operational handover. The parties are in the process of formally documenting this agency arrangement to provide legal certainty.

Statutory and Tax Matters

Completion of the transfer was not contingent upon commencement of trading by AA Kenya PLC or upon the remittance of statutory obligations under its KRA PIN.

However, the continued use of the Association's KRA PIN for remittance of PAYE, VAT and other statutory deductions after 1 January 2026 may present regulatory and compliance risks, as the business is deemed to have transferred to AA Kenya PLC as of 31 December 2025. Management is in the process of regularising this position, including transitioning statutory filings and remittances to AA Kenya PLC and reconciling any post-completion tax positions. Independent tax advice has been recommended to ensure full compliance.

SCHEDULE OF EXPENDITURE

	Group		Association	
	2025	2024	2025	2024
	Shs	Shs	Shs	Shs
1. DIRECT EXPENSES				
Salaries and wages	331,096,000	326,921,543	331,096,000	326,921,543
Vehicle running and maintenance	158,340,683	160,061,369	158,340,683	160,061,369
Other direct cost	3,278,860	-	3,278,860	-
Depreciation on property and equipment	15,646,013	18,329,636	15,646,013	18,329,636
	508,361,556	505,312,548	508,361,556	505,312,548
2. ADMINISTRATIVE EXPENSES				
Employment:				
Salaries and wages	76,415,944	78,654,761	69,150,991	70,608,069
Pension and defined contribution	20,308,561	18,921,870	20,308,561	18,921,870
Staff medical expenses	30,037,125	34,487,127	30,037,125	34,487,127
General staff and training expenses	18,009,486	19,723,579	17,259,402	18,989,107
Uniforms	3,324,237	9,503,984	3,324,237	9,503,984
Total employment costs	148,095,353	161,291,321	140,080,316	152,510,157
Other administrative expenses:				
Governing council remuneration	24,478,738	28,865,877	24,478,738	28,865,877
Directors remuneration	1,000,000	950,498	-	-
Postages and telephones	6,756,652	6,560,842	6,611,664	6,388,951
Vehicle running and maintenance	2,171,140	1,038,714	2,171,140	1,038,714
Travelling	12,623,428	11,626,878	12,449,497	11,544,592
Printing and stationery	1,901,166	2,209,344	1,850,506	2,171,287
- other advertising expenses	25,456,232	22,210,675	25,283,787	22,210,675
Internet expenses	10,251,257	10,893,211	10,251,257	10,893,211
Audit fees				
- current year	1,541,812	1,460,000	1,200,000	1,200,000
- prior year (over)/under provision	-	(29,163)	-	-
Legal and professional fees	3,103,375	1,961,971	3,033,295	1,902,991
Bank charges and commissions	1,816,513	2,012,063	1,772,608	1,947,732
Newspaper and subscription	458,224	483,438	458,224	483,438
Donations	80,586	100,000	80,586	100,000
Fines and penalties	153,399	6,033	153,399	6,033
Provision for doubtful debts;	-			
- additional provision	4,670,609	4,866,830	3,831,858	4,502,423
- recoveries	(4,899,548)	(6,463,413)	(3,009,277)	(6,463,413)
- write offs	(28,348)	-	-	7,767,453
Office expenses	9,104,897	9,147,042	9,093,832	9,137,196
Unclaimable input VAT (exempt sales)	-	16,081,177	-	16,081,177
Total other administrative expenses	100,640,132	121,814,753	99,711,114	119,778,337
Total administrative expenses	248,735,485	283,106,074	239,791,430	272,288,494