

SOLIDARIDAD EAST AND CENTRAL AFRICA EXPERTISE CENTRE

CONSOLIDATED REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

**SOLIDARIDAD EAST AND CENTRAL AFRICA EXPERTISE CENTRE  
CONSOLIDATED REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**ORGANISATION INFORMATION**

<b>Board of Directors</b>	:	Mr. Karugu Macharia
	:	Mr. Joseph Kamanu --Resigned on 01/08/2017
<b>Organization secretaries</b>	:	Kimamo and Associates
	:	P.O Box 4583-00100
	:	Nairobi
<b>Auditors</b> Kenya Office	:	MGK Associates
	:	Certified Public Accountants
	:	Mayfair Business Centre, off Parklands Road
	:	P.O Box 6358-00100
	:	Nairobi
Tanzania Office	:	Tax Solutions International
	:	Certified Public Accountants
	:	P.O Box 16074
	:	Arusha, Tanzania
Uganda Office	:	KAL Associates
	:	Certified Public Accountants
	:	Plot 61-67JP Plaza, Nkrumah Road,
	:	P.O Box 20084
	:	Kampala, Uganda
Ethiopia Office	:	Wegderes Nigusie
	:	Chartered Certified Accountant & Authorized Auditor
	:	P.O Box 32638
	:	Addis Ababa, Ethiopia

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**Report of the directors**

The Directors submit their report together with the consolidated financial statements for the year ended 31 December 2017, which disclose the state of affairs of the organization.

**Directors**

The directors who held office during the year and to the date of this report are listed on page 2.

**Principal Activities**

The organization is primarily engaged in administration of donor funds for projects on non profit making

**Review**

The financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Kenya Companies Act of 2015. The accounting policies have been applied consistently compared to the prior year.

The company recorded grant utilised for the year ended 31 December 2017 of EURO 3,202,178. This represented an increase of 17% from the grant utilised of the prior year of EURO 2,734,734

Company grant received decreased by 21% from EURO 3,306,149 in the prior year to EURO 2,598,019 for the year ended 31 December 2017.

**Statement as to disclosure to the company's auditor**

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

(a) there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and

(b) the person has taken all the steps that the person ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Terms of appointment of auditors**

MGK Associates have expressed their willingness to continue in office in accordance Section 717 of the Kenya Companies Act of 2015. The directors monitor the effectiveness, objectivity and independence of the auditors. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration has been charged to statement of income and expenditure in the year.

**By order of the board**

**Secretary/Director**



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**Statement of directors responsibilities**

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that: (a) show and explain the transactions of the company; (b) disclose, with reasonable accuracy, the financial position of the company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

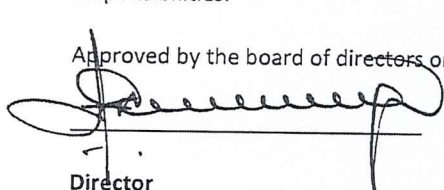
The directors accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

- i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii) selecting suitable accounting policies and applying them consistently and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

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

Approved by the board of directors on 11/5/2018 2018 and signed on its behalf by:



Director

\_\_\_\_\_  
Director



## **INDEPENDENT AUDITOR'S REPORT**

**To the members of Solidaridad East and Central Africa Expertise Centre**

### **Report on the audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of the Solidaridad East and Central Expertise Centre (the company), set out on pages 7 to 17 which comprise the consolidated statement of financial position as at 31st December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in accumulated fund and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a true and fair view of the financial position of the company as at 31st December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Kenyan Companies Act, 2015.

#### **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 company in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our 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.

#### **Other information**

The directors are responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

#### **Directors' responsibility for the financial statements**

The directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standard for Small and Medium- sized Entities and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **INDEPENDENT AUDITOR'S REPORT**

**To the members of Solidaridad East and Central Africa Expertise Centre**

**Report on the audit of the Consolidated Financial Statements (continued)**

### **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 scepticism 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 company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management'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 company'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 the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

### **Report on other matters prescribed by the Kenyan Companies Act, 2015**

In our opinion the information given in the report of the directors on page 3 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report was CPA Daniel Muhia , Practising Certificate No. 1717

*M&K Accountants*

**Certified Public Accountants**

Nairobi

*11<sup>th</sup> May* ..... 2018

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Consolidated Statement of Income and Expenditure

		Euro 2017	Euro 2016
Grants income	5(a)	3,202,178	2,734,734
Other income	6	146,120	(148,437)
<b>Total income</b>		<u>3,348,298</u>	<u>2,586,297</u>
<b>EXPENDITURE</b>			
Program expenses	7	3,202,178	2,734,734
<b>Total expenditure</b>		<u>3,202,178</u>	<u>2,734,734</u>
Surplus/(Deficit) for the year		<u>146,120</u>	<u>(148,437)</u>




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**Consolidated Statement of Financial Position**

	Notes	Euro 2017	Euro 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	33,965	29,004
<b>Total non-current assets</b>		<u>33,965</u>	<u>29,004</u>
<b>Current assets</b>			
Deposits	10	6,685	4,707
Other receivables	9	186,232	228,294
Cash and cash equivalents	11	2,340,740	2,265,985
<b>Total current assets</b>		<u>2,533,657</u>	<u>2,498,986</u>
<b>Total assets</b>		<u>2,567,622</u>	<u>2,527,990</u>
<b>FUNDS AND LIABILITIES</b>			
Reserve office	13	618,643	294,211
Deferred income	14	1,344,631	2,216,291
<b>Total designated funds</b>		<u>1,963,274</u>	<u>2,510,502</u>
<b>Current liabilities</b>			
Other payables	12	604,348	17,488
<b>Total current liabilities</b>		<u>604,348</u>	<u>17,488</u>
<b>Total funds and Liabilities</b>		<u>2,567,622</u>	<u>2,527,990</u>

The financial statements on pages 7 to 17 were approved for issue by the Board of Directors on 11/5/2018 2018 and were signed on its behalf by:

  
Director: KARUGU MACHARIA

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**Cashflow statement**

	Notes		
<b>Cash flows from operating activities</b>			
Grants received during the year	14 & 15	2,598,019	3,306,149
Other receipts		32,563	19,027
Change in deposits and other receivables		(40,084)	-
Change in other payables		586,860	-
Project payments and administrative expenses		(3,094,616)	(2,906,034)
Net cashflow from operating activities		<u>82,742</u>	<u>419,142</u>
<b>Cash flow from investing activities:</b>			
Purchase of property, plant and equipment	8	(7,987)	(25,170)
Net cash used in investing activities		<u>(7,987)</u>	<u>(25,170)</u>
<b>Net increase in cash and cash equivalents</b>		<u>74,754</u>	<u>393,972</u>
<b>Movement in cash and cash equivalents</b>			
At the start of the year	13	2,265,985	1,872,013
Increase in cash and cash equivalents		74,754	393,972
<b>Cash and cash equivalents at the end of the year</b>	11	<u>2,340,739</u>	<u>2,265,985</u>

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NOTES

**1 General Information**

Solidaridad East and Central Africa Expertise Centre (the Organisation) is incorporated in Kenya under the Kenyan Companies Act, and is domiciled in Kenya. The address of its registered office and principal place of business and the company principal activities are set out on page 2.

**2 Basis of preparation and summary of significant accounting policies**

These financial statements have been prepared on a going concern basis and in compliance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. They are presented in Kenya Shillings (Kshs). The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

**a) Revenue recognition**

*Grants*

Grants income is recognized in the accumulated funds upon receipt. Subsequently, the amounts expended are transferred from the grant fund account to the statement of comprehensive income as grant income.

*Interest income*

Interest on bank deposit are credited to respective donors grants and are accounted for as an additional grants.

**b) Property and equipment**

All property and equipment are initially recorded at cost and subsequently stated at historical cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a reducing balance basis to write down the cost of each asset annually to their residual values over their estimated useful life as follows:-

Computers	30%
Furniture & fittings	12.5%

A full year's depreciation is charged in the year of acquisition. No depreciation is charged in the year of disposal.

Gains or deficits arising from disposal of property, plant and equipment are computed by reference to the sales proceeds and the net carrying amounts at the date of disposal. The gains or deficits are dealt with through the income statement.

**c) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and bank balances.

**d) Taxation**

The organization has made an application for tax exemption to the Kenya Revenue Authority. As at the time of reporting no response has been received. The directors are of the opinion that the application will be granted, therefore, no tax provision has been made in the financial statements.



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NOTES (CONTINUED)

2 Basis of preparation and summary of significant accounting policies (continued)

e) *Employee entitlements*

*Pension Obligation*

The organization also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to 6% of basic pay per employee per month, with the organization contribution similar amount. The organization's contributions to the above scheme are charged to the income and expenditure account in the year to which they relate.

*Other employee benefits*

All employees are expected to take their annual leaves as and when it matures during the year up to a period of six months after such a date. The management must approve leave taken after six months have elapsed or otherwise stated.

f) *Translation of foreign currencies*

Income received in foreign currency is converted at an average rate determined at the beginning of the year, while expenses incurred are translated into Kenya shillings at the rate of exchange ruling at the statement of financial position date. Transactions during the year are translated at the rates ruling at the dates of the transactions. Gains and deficits arising from the translation are dealt with in the income statement.

g) *Financial instruments*

Financial assets and liabilities are recognized on the organization's statement of financial position when the organization has become a party to the contractual provisions of the instruments.

*(i) Financial assets*

The organization classifies its financial assets into the following categories: financial assets at fair value through Surplus or deficit; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the appropriate classification of its investments at initial recognition.

*Financial assets at fair value through Surplus or deficit*

This category has two sub-categories: Financial assets held for trading and those designated at fair value through Surplus or deficit at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Gains and deficits arising from changes in fair value are recognized in the income statement.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the organization provides money, goods or services directly to a debtor with no intention of trading the receivable.

*Held-to-maturity investments*

Financial assets with fixed or determinable payments and fixed maturity where the bank has the positive intent and ability to hold to maturity other than loans and receivables originated by the bank are measured at amortized cost.



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NOTES (CONTINUED)

2 Basis of preparation and summary of significant accounting policies (continued)

h) *Financial instruments (continued)*

(ii) *Financial liabilities*

*Grants payable and other payables*

The liabilities for grants payables are carried the committed amount as per contract, which is measured at the fair or contractual value to be paid in respect of goods or services supplied to the organization, whether billed or not.

i) *Provisions*

Provisions for liabilities are recognized when there is a present obligation (legal or constructive) resulting from a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the monetary value of the obligation.

j) *Contingent liabilities*

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognized but are disclosed unless they are remote.

3 Risk Management objectives and policies

a) *Financial risks*

The organization's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The organization does not have any financial assets subject to price risk.

The organisation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance.

Risk management is carried out by the management under policies approved by the board of directors. Management identifies, evaluates and hedges financial risks in close co-operation with various functions heads.

i) **Market risk**

- *Foreign exchange risk*

The organisation is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro. The risk arises from future transactions, assets and liabilities in the statement of financial position.

The carrying amounts of the company's foreign currency denominated monetary assets at the balance sheet date are as follows:

	2017	2016
	EURO	EURO
Bank balances	2,340,740	2,265,985

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NOTES (CONTINUED)

3 Risk Management objectives and policies (continued)

a) *Financial risks*

i) **Market risk (continued)**

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

ii) **Credit risk**

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions.

None of the financial assets that are fully performing has been renegotiated in the last year.

The Organization's cash and cash equivalents and short term deposits are placed with reputable financial institutions.

4 **Critical Accounting estimates and judgments**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances:

i) *Critical accounting estimates and assumptions*

Property and equipment

Critical estimates are made by the management in determining depreciation rates for the property, plant and equipment. The rates are set out in note 2 (b) above.

ii) *Critical judgments in applying the entity's accounting policies*

In the process of applying the organization's accounting policies, management has made judgments in determining:

- Whether assets are impaired
- The classification of financial assets and leases
- Contingencies and commitments

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NOTES (CONTINUED)

5	Grants	2017 EURO	2016 EURO
5(a)	Grants income recognized		
	Amounts transferred from accumulated grants fund	3,202,178	2,734,734
5(b)	Amounts received during the year transferred to accumulated grants fund		
		2017 EURO	2016 EURO
	Solidaridad Europe	1,674,179	886,244
	Solidaridad SSEA	47,000	-
	Solidaridad Latino America	94,300	710,964
	Progreso Foundation	40,000	19,043
	Fair-trade Foundation	40,232	78,094
	WOTRO	59,429	-
	Enterprise Partners	40,667	-
	Plus Trading	13,200	-
	SNV Kenya	63,374	62,930
	MAU Tea society	-	9,404
	H & M Trading LTD	-	34,719
	Comic Relief	65,821	201,978
	Netherlands Enterprise Agency (Rijksdienst voor Ondernemend)	373,011	1,273,812
	Others	86,807	28,959
	Total transferred to accumulated grants fund	2,598,019	3,306,149
6	Other income		
	Interest income	32,563	19,027
	Foreign exchange (loss)/gain	112,337	(167,464)
	Refunds	1,221	-
		146,120	(148,437)
7	Expenditure		
	Programme expenses		
	Coffee	1,021,023	701,243
	Cotton	77,071	305,063
	Dairy	32,203	
	Fruit & Vegetables	923,670	947,055
	Gold	166,252	69,123
	Livestock	57,908	119,701
	Others	693,100	427,765
	Palm Oil	55,732	
	Sugarcane	-	903
	Tea	34,005	41,702
	Textiles	141,214	122,180
		3,202,178	2,734,734

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NOTES (CONTINUED)

8 Tangible fixed assets

	Total EURO	Furniture & Fittings EURO	Computers & equipment EURO
<b>2017</b>			
<b>Cost</b>			
As at 1 January	71,994	18,468	53,527
Additions	7,987	3,042	4,945
As at 31 December	<u>79,982</u>	<u>21,510</u>	<u>58,472</u>
<b>Depreciation</b>			
As at 1 January	35,986	6,946	29,040
Charge for the year	10,031	1,741	8,290
As at 31 December	<u>46,017</u>	<u>8,687</u>	<u>37,330</u>
<b>Net Book Value</b>			
31st December 2017	<u>33,965</u>	<u>12,823</u>	<u>21,142</u>
31st December 2017	<u>29,004</u>	<u>7,158</u>	<u>21,846</u>



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	<b>2017</b>	<b>2016</b>
	<b>EURO</b>	<b>EURO</b>
<b>9 Other receivables</b>		
Due from project partners	115,138	216,948
Sundry receivables	14,328	553
Staff receivables	56,766	10,793
	<u>186,232</u>	<u>228,294</u>
<b>10 Deposits and prepayments</b>		
Rent	6,603	4,660
Electricity	83	47
	<u>6,685</u>	<u>4,707</u>
<b>11 Cash and cash equivalents</b>		
For the purpose of cash flow statement, the year end cash and cash equivalents comprise of the following:-		
	<b>2017</b>	<b>2016</b>
	<b>EURO</b>	<b>EURO</b>
Bank balance	2,340,650	2,265,944
Petty cash balance	90	42
	<u>2,340,740</u>	<u>2,265,985</u>
<b>12 Other payables</b>		
Due to partners	502,061	-
Due from staffs	5,069	13,565
Accrued expenses	92,464	3,923
Income tax payable	4,754	-
	<u>604,348</u>	<u>17,488</u>
<b>13 Reserve office</b>		
Balance brought forward	294,211	249,190
Grants received during the year	281,375	343,492
Effect of foreign exchange on consolidation	95,015	19,038
Grants utilized during the year	(198,078)	(317,508)
Surplus	146,120	-
Balance carried forward	<u>618,643</u>	<u>294,211</u>

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**14 Deferred income**

Balance brought forward	2,216,291	2,075,195
Grants received during the year	2,316,644	2,962,657
Effect of foreign exchange on consolidation	(184,204)	(255,899)
Grants utilized during the year	(3,004,099)	(2,417,226)
Surplus/(deficit)	-	(148,437)
Balance carried forward	<u>1,344,631</u>	<u>2,216,291</u>

**15 Currency**

These statements are presented in Euro currency.

**16 Fund and Cash reconciliation**

**2017  
EURO**

Bank balance as per the financial statements	2,340,740
Fund balance	<u>1,963,274</u>
Variance	377,466

**Represented by:**

Deposits and other receivables	192,917
Funds used on fixed assets(Net book value)	7,987
Other payables	(588,402)
Non cash expenses (accumulated depreciation)	10,031
	<u>(377,466)</u>
	<u>-</u>

**17 Events after the year end**

Since the end of the financial period, no matter or circumstances have occurred that have or may significantly affect the operations or the state of affairs of the Company in subsequent financial years.

**18 Contingent Liabilities**

The Company has no legal matters either for or against pending in any courts.

**19 Capital Commitments**

The Company has no capital commitments, whether authorized and contracted or authorized and not contracted.