SOLIDARIDAD EAST AND CENTRAL AFRICA EXPERTISE CENTRE

CONSOLIDATED REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Contents

ORGANISATION INFORMATION

Board of Directors		:	Mr. Karugu Macharia-Retired on 01/12/2018
		:	Ms.Rachel W.Wanyoike-Appointed on 01/10/2018
Organization secretaries		:	Kimamo and Associates
		:	P.O Box 4583-00100
		:	Nairobi
Auditors	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

Report of the directors

The Directors submit their report together with the consolidated financial statements for the year ended 31 December 2018,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 Grants utilised during the year amounted to Euro 4,322,467. This represented an increase of 35% from the Grants utilised in the prior year of Euro 3,202,178.
Grants received increased by 61% from Euro 2,598,019 in the prior year to Euro 4,172,793 in the year ended 31 December 2018.

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

SWIFT SECRETARIES & REGISTRARS
P/713
KIMAMO KURIA
CPS No. 464
P.O. BOX 4583-00100 NAIROBI

Secretary/Director

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 ....4th April.................. 2019 and signed on its behalf by:

______________________ ______________________

Director **Director**

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REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF SOLIDARIDAD EAST AND CENTRAL AFRICA EXPERTISE CENTRE FOR THE YEAR ENDED 31ST DECEMBER 2018.

Opinion

We have audited the accompanying consolidated financial statements of Solidaridad East and Central Africa Expertise Centre (the organisation), set out on pages 7 to 17, which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income and statements of changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Organisation as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards for Small and medium sized entities.

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 organisation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other 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 Standards for Small and medium sized entities 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.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF SOLIDARIDAD EAST AND CENTRAL AFRICA EXPERTISE CENTRE FOR THE YEAR ENDED 31ST DECEMBER 2018 (CONTINUED).

Directors' responsibility for the financial statements (continued)

In preparing the financial statements, the directors are responsible for assessing the organisation'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 organisation or to cease operations, or have no realistic alternative but to do so.

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 judgment 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 organisation'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 organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organisation to cease to continue as a going concern.

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

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

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

MGK Associates

Certified Public Accountants
Nairobi

5th April 2019

Consolidated Statement of Income and Expenditure

	Note	Euro 2018	Euro 2017
Grants income	(a)	4,322,467	3,202,178
Other income	6	20,159	146,120
Total income		4,342,625	3,348,298
EXPENDITURE			
Program expenses	7	2,848,358	2,201,802
Administration expenses	(b)	1,474,109	1,000,376
Total expenditure		4,322,467	3,202,178
Surplus for the year		20,159	146,120

Consolidated Statement of Financial Position

ASSETS	Notes	Euro 2018	Euro 2017
Non-current assets			
Property, plant and equipment	8	37,239	33,965
Total non-current assets		37,239	33,965
Current assets			
Deposits	10	7,543	6,685
Other receivables	9	311,107	186,232
Cash and cash equivalents	11	2,940,209	2,340,740
Total current assets		3,258,859	2,533,657
Total assets		**3,296,098**	**2,567,622**
FUNDS AND LIABILITIES			
Designated Funds	13	2,621,362	1,963,274
Current liabilities			
Other payables	12	674,736	604,348
Total current liabilities		674,736	604,348
Total funds and Liabilities		**3,296,098**	**2,567,622**

The financial statements on pages 7 to 17 were approved for issue by the Board of Directors on ……4th April……..2019 and were signed on its behalf by:

Director: Rachel Wanyoike

Cashflow statement

	Notes		
Cash flows from operating activities			
Grants received during the year	13	4,156,836	2,598,019
Other receipts		15,958	32,563
Change in deposits and other receivables		(125,733)	(40,084)
Change in other payables		70,388	586,860
Project payments and administrative expenses		(3,501,825)	(3,094,616)
Net cashflow from operating activities		615,623	82,742
Cash flow from investing activities:			
Purchase of property, plant and equipment	8	(16,153)	(7,987)
Net cash used in investing activities		(16,153)	(7,987)
Net increase in cash and cash equivalents		599,469	74,755
Movement in cash and cash equivalents			
At the start of the year	13	2,340,740	2,265,985
Increase in cash and cash equivalents		599,469	74,755
Cash and cash equivalents at the end of the year	11	2,940,209	2,340,740

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 Euros. 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.

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.

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:

	2018 Euro	2017 Euro
Bank balances	2,940,209	2,340,740

5 Grants

(a) Grants income recognized

	2018 Euro	2017 Euro
Amounts transferred from accumulated grants fund	4,322,467	3,202,178

(b) Amounts received during the year transferred to accumulated grants fund

	2018 Euro	2017 Euro
Solidaridad Europe	3,434,570	1,674,179
Solidaridad SSEA	50,000	47,000
Solidaridad SAM	60,748	94,300
Progreso Foundation	-	40,000
Fair-trade Foundation	16,519	40,232
WOTRO	89,143	59,429
Wageningen University	7,467	-
Enterprise Partners	43,677	40,667
Plus Trading	-	13,200
SNV Kenya	49,294	63,374
Comic Relief	150,694	65,821
Netherlands Enterprise Agency (RVO)	245,096	373,011
Others	25,585	86,807
Total transferred to accumulated grants fund	4,172,793	2,598,019

6 Other income

	2018 Euro	2017 Euro
Interest income	15,958	32,563
Foreign exchange (loss)/gain	-	112,337
Refunds	-	1,221
Sundry income	4,201	-
	20,159	146,120

7 Expenditure

(a) Programme expenses

	2018 Euro	2017 Euro
Livestock program	5,317	1,605
Good energy program	90,632	40,543
Coffee Program	55,520	190,044
Horticulture (Fruits and Vegetables)	326,793	571,883
Cotton and Textile	32,068	11,487
Gold	595,748	354,598
Food Security	556,541	334,118
Advocacy for Change(DSO)	408,582	170,025
Practice for Change(PFC)	678,388	476,936
WONTRO	57,577	21,202
General office costs	41,192	29,361
	2,848,358	2,201,802

(b) General and administration expenses

	2018 Euro	2017 Euro
Audit fees	3,394	3,870
Professional fees	28,401	10,197
Foreign exchange loss	69,657	-
Bank charges	4,417	3,138
Insurance Expense	21,707	9,380
Office Expense	16,609	9,986
License	2,719	2,338
Rent and Rates	95,045	69,859
Repairs and Maintenance	37,075	21,307
Staff Medical	40,481	22,558
Stationery and printing	6,865	3,168
Telephone and Internet	25,859	11,311
Salaries and wages	960,715	723,594
Staff training and welfare	24,627	21,505
Travel and Meetings	84,554	23,106
Fundraising	-	1,778
Governance	14,431	43,162
Depreciation	10,183	10,032
Motor vehicles expenses	22,271	923
Planning meeting expenses	5,100	9,165
	1,474,109	1,000,375

8 Tangible fixed assets

2018	Furniture & Fittings Euro	Computers & equipment Euro	Total Euro
Cost			
As at 1 January	19,305	55,448	74,753
Additions	9,720	6,433	16,153
As at 31 December	29,025	61,881	90,906
Depreciation			
As at 1 January	7,937	35,548	43,485
Charge for the year	2,629	7,554	10,183
As at 31 December	10,566	43,101	53,667
Net Book Value			
31st December 2018	18,458	18,780	37,239
31st December 2017	12,823	21,142	33,965

	2018 Euro	2017 Euro
9 Other receivables		
Due from project partners	223,909	115,138
Prepaid expenses	30,618	-
Sundry receivables	26,789	14,328
Staff receivables	29,791	56,766
	311,107	186,232
10 Deposits and prepayments		
Rent	7,458	6,603
Electricity	86	83
	7,543	6,685

11 Cash and cash equivalents

For the purpose of cash flow statement, the year end cash and cash equivalents comprise of the following:-

	2018 Euro	2017 Euro
Bank balance	2,940,061	2,340,650
Petty cash balance	148	90
	2,940,209	2,340,740
12 Trade and other payables		
Trade payables	46,729	-
Due to project partners	563,833	589,694
Due from staffs	-	5,069
Payroll liabilities	42,892	-
Accrued expenses	16,711	4,831
Income tax payable	4,572	4,754
	674,736	604,348
13 Reserve funds		
(a) Office funds		
Balance brought forward	618,643	294,211
Grants received during the year	545,936	281,375
Effects of foreign exchange on consolidation	187,074	95,015
Grants utilized during the year	(683,258)	(198,078)
Surplus/(deficit)	20,159	146,120
Balance carried forward	688,554	618,643
(b) Deferred income		
Balance brought forward	1,344,631	2,216,291
Grants received during the year	3,626,857	2,316,644
Effects of foreign exchange on consolidation	600,529	(184,204)
Grants utilized during the year	(3,639,209)	(3,004,099)
Balance carried forward	1,932,808	1,344,631
Total reserve funds	**2,621,362**	**1,963,274**

14 Currency

These statements are presented in Euros.

15 Fund and Cash reconciliation

	2018 Euro	2017 Euro
Bank balance as per the financial statements	2,940,209	2,340,740
Fund balance	2,621,362	1,963,274
Variance	318,847	377,466
Represented by:		
Deposits and other receivables	318,650	192,917
Funds used on fixed assets(Net book value)	27,056	7,987
Other payables	(674,736)	(588,402)
Non cash expenses(accumulated depreciation)	10,183	10,031
	(318,847)	(377,466)

16 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.

17 Contingent Liabilities

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

18 Capital Commitments

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