SOLIDARIDAD EAST AND CENTRAL AFRICA EXPERTISE CENTRE

CONSOLIDATED REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Contents

ORGANISATION INFORMATION

Board of Directors		:	Ms.Rachel W.Wanyoike
Organization secretaries		:	Kimamo and Associates
		:	P.O Box 4583-00100
		:	Nairobi
Auditors	Kenya Office	:	MGK Associates LLP
		:	Certified Public Accountants
		:	Mayfair Business Centre,off Parklands Road
		:	P.O Box 6358-00100
		:	Nairobi
	Tanzania Office	:	Net Worth and Tax Accountants
		:	Certified Public Accountants
		:	P.O Box 63360
		:	Dar es salaam, Tanzania
	Uganda Office	:	KAL Associates
		:	Certified Public Accountants
		:	Plot 61-67JP Plaza, Nkrumah Road,
		:	P.O Box 20084
		:	Kampala, Uganda
	Ethiopia Office	:	Tambizot Minwuye
		:	Certified Audit Firm
		:	P.O Box 46295
		:	Addis Ababa, Ethiopia

Report of the directors

The Directors submit their report together with the consolidated financial statements for the year ended 31 December 2019,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 5,242,479. This represented an increase of 21% from the Grants utilised in the prior year of Euro 4,322,467.
Grants received increased by 4% from Euro 4,172,793 in the prior year to Euro 4,346,755 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 LLP 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 16 April 2020 and signed on its behalf by:

Director

MGK Associates LLP
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Off Parklands Road
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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 2019.

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 2019, 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 2019 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 2019 (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 LLP

Certified Public Accountants
Nairobi

17th April 2020

Consolidated Statement of Income and Expenditure

		Euro 2019	Euro 2,018
Grants income	5(a)	5,242,479	4,322,467
Other income	6	48,028	20,159
Total income		5,290,508	4,342,625
EXPENDITURE			
Projects expenses	7	3,765,270	2,848,358
Administration expenses	7(b)	1,477,209	1,474,109
Total expenditure		5,242,479	4,322,467
Surplus for the year		48,028	20,159

The notes on pages 10 17 form an integral part of these financial statements

Consolidated Statement of Financial Position

	Notes	Euro 2019	Euro 2018
ASSETS			
Non-current assets			
Property and equipment	8	48,971	37,239
Total non-current assets		48,971	37,239
Current assets			
Deposits	10	7,748	7,543
Other receivables	9	445,039	311,107
Cash and cash equivalents	11	2,212,591	2,940,209
Total current assets		2,665,379	3,258,859
Total assets		**2,714,350**	**3,296,098**
FUNDS AND LIABILITIES			
Designated Funds	13	2,198,285	2,621,362
Current liabilities			
Other payables	12	516,065	674,736
Total current liabilities		516,065	674,736
Total funds and Liabilities		**2,714,350**	**3,296,098**

The financial statements on pages 7 to 17 were approved for issue by the Board of Directors on ....16 April................2020 and were signed on its behalf by:

The notes on pages 10 to 17 form an intergral part of this financial statements

Director

Cashflow statement

	Notes	Euro 2019	Euro 2018
Cash flows from operating activities			
Grants received during the year	13	4,303,705	4,156,836
Other receipts		43,050	15,958
Change in deposits and other receivables		(134,137)	(125,733)
Change in other payables		(158,671)	70,388
Project payments and administrative expenses		(4,759,874)	(3,501,825)
Net cashflow from operating activities		(705,928)	615,623
Cash flow from investing activities:			
Assets additions	8	(21,689)	(16,153)
Net cash used in investing activities		(21,689)	(16,153)
Net (decrease)/increase in cash and cash equivalents		(727,618)	599,469
Movement in cash and cash equivalents			
At the start of the year	13	2,940,209	2,340,740
(Decrease)/Increase in cash and cash equivalents		(727,618)	599,469
Cash and cash equivalents at the end of the year	11	2,212,591	2,940,209

The notes on pages 10 17 form an integral part of these financial statements

NOTES

1 *General Information*

Solidaridad East and Central Africa (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)

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

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:

	2019 Euro	2018 Euro
Bank balances	2,212,591	2,940,209

NOTES (CONTINUED)

5 Grants	2019 Euro	2018 Euro
(a) Grants income recognized		
Amounts transferred from accumulated grants fund	5,242,479	4,322,467

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

	2019 Euro	2018 Euro
Solidaridad Europe	3,238,694	3,434,570
Solidaridad SSEA	29,834	50,000
Solidaridad SAM	29,183	60,748
Progreso Foundation	18,186	-
Fair-trade Foundation	58,779	16,519
WOTRO	169,711	89,143
Wageningen University	6,427	7,467
Enterprise Partners	-	43,677
SNV Kenya	60,547	49,294
Comic Relief	206,446	150,694
Netherlands Enterprise Agency (RVO)	399,562	245,096
Others	129,386	25,585
Total transferred to accumulated grants fund	4,346,755	4,172,793

6 Other income		
Interest income	43,050	15,958
Foreign exchange gain	4,979	-
Sundry income	-	4,201
	48,028	20,159

7 Expenditure

(a) Programme expenses		
Livestock program	101,239	5,317
Good energy program	-	90,632
Coffee Program	21,137	55,520
Horticulture (Fruits and Vegetables)	470,704	326,793
Cotton,Leather and Textile	256,938	32,068
Gold	233,566	595,748
Food Security	962,704	556,541
Advocacy for Change(DSO)	653,788	408,582
Practice for Change(PFC)	888,013	678,388
WONTRO	60,036	57,577
Knowledge and research	47,814	-
General office costs	69,333	41,192
	3,765,270	2,848,358

(b) General and administration expenses	2019 Euro	2018 Euro
Audit fees	7,064	3,394
Legal and professional fees	19,598	28,401
Foreign exchange loss	-	69,657
Bank charges	2,654	4,417
Insurance expense	70,266	21,707
Office expense	58,179	16,609
Licenses and subscriptions	8,540	2,719
Rent and rates	101,248	95,045
Repairs and maintenance	30,109	37,075
Staff medical	9,319	40,481
Postage,stationery and printing	7,907	6,865
Telephone and internet	35,684	25,859
Salaries and wages	1,053,302	960,715
Staff training and welfare	15,237	24,627
Travel and meetings	2,465	84,554
Penalties	3,543	-
Fundraising	2,118	-
Governance	460	14,431
Depreciation	9,954	10,183
Motor vehicles expenses	12,129	22,271
Meeting expenses	27,435	5,100
	1,477,209	1,474,109

8 Tangible fixed assets

2019	Motor Vehicle Euro	Furniture & Fittings Euro	Computers & equipment Euro	Total Euro
Cost				
As at 1 January	-	29,025	61,881	90,906
Additions	11,201	6,243	4,245	21,689
As at 31 December	11,201	35,268	66,126	112,595
Depreciation				
As at 1 January	-	10,566	43,101	53,667
Charge for the year	-	3,386	6,571	9,957
As at 31 December	-	13,952	49,672	63,624
Net Book Value				
31st December 2019	11,201	21,315	16,455	48,971
31st December 2018	-	18,459	18,780	37,239

	2019 Euro	2018 Euro
9 Receivables		
Due from partners and related parties	174,053	115,138
Due from donors	183,255	-
Prepaid expenses	50,820	-
Sundry receivables	3,765	14,328
Staff receivables	33,146	56,766
	445,039	186,232
10 Deposits and prepayments		
Rent	7,047	6,603
Utilities	701	83
	7,748	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:-

	2019 Euro	2018 Euro
Bank balance	2,212,935	2,940,061
Petty cash balance	(344)	148
	2,212,591	2,940,209
12 Trade and other payables		
Trade payables	23,477	46,729
Due to project partners	429,175	563,833
Payroll liabilities	57,978	42,892
Accrued expenses	4,895	16,711
Withholding tax payable	540	4,572
	516,065	674,736
13 Reserve funds		
(a) Office funds		
Balance brought forward	688,554	618,643
Grants received during the year	92,931	545,936
Effects of foreign exchange on consolidation	129,946	187,074
Grants utilized during the year	(255,015)	(683,258)
Surplus/(deficit)	48,028	20,159
Balance carried forward	704,444	688,554
(b) Deferred income		
Balance brought forward	1,932,807	1,344,631
Grants received during the year	4,253,823	3,626,857
Effects of foreign exchange on consolidation	294,674	600,529
Grants utilized during the year	(4,987,464)	(3,639,209)
Balance carried forward	1,493,841	1,932,807
Total reserve funds	**2,198,285**	**2,621,361**

14 Currency

These statements are presented in Euros.

15 Fund and Cash reconciliation

	2019 Euro	2018 Euro
Bank balance as per the financial statements	2,212,591	2,940,209
Fund balance	2,198,285	2,621,362
Variance	14,306	318,847
Represented by:		
Deposits and other receivables	452,787	318,650
Funds used on fixed assets(Net book value)	39,014	27,056
Other payables	(516,065)	(674,736)
Non cash expenses(accumulated depreciation)	9,957	10,183
	(14,306)	(318,847)

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.