

**Gill &  
Johnson**



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**NATIONAL COUNCIL OF CHURCHES OF KENYA  
SMALL SCALE BUSINESS ENTERPRISE**

**FINANCIAL STATEMENTS**

**31 DECEMBER 1998**

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NATIONAL COUNCIL OF CHURCHES OF KENYA  
SMALL SCALE BUSINESS ENTERPRISE

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1998

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## REPORT OF THE AUDITORS TO THE NATIONAL COUNCIL OF CHURCHES OF KENYA

We have audited the financial statements of The Small Scale Business Enterprise on pages 3 to 7 and have obtained all the information and explanations considered necessary for our audit.

The financial statements are the responsibility of the finance committee. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the finance committee, and evaluating the overall financial statement presentation.

In our opinion, proper books of account have been kept by the Small Scale Business Enterprise and the financial statements, which are in agreement therewith, give a true and fair view of its state of affairs at 31 December 1998 and of its income and expenditure for the year ended on that date.

15 April, 1999

NATIONAL COUNCIL OF CHURCHES OF KENYA  
SMALL SCALE BUSINESS ENTERPRISE

INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 1998

	Note	1998 Sh	1997 Sh
<b>INCOME</b>			
Interest		21,572,304	16,013,100
Grant for support costs		5,980,855	1,587,300
Loan application fees		1,394,745	1,143,100
Membership fees		428,550	537,200
Sundry income		198,472	132,470
Net loans repaid		16,800	68,951
		<hr/>	<hr/>
		29,591,726	19,482,121
		<hr/>	<hr/>
<b>EXPENDITURE</b>			
Personnel costs		13,054,734	13,040,203
Travel and transport costs		3,614,366	2,941,131
Office and administration expenses		3,151,566	3,160,048
Financial costs		783,917	700,740
Provision for doubtful debts - other		443,821	231,244
Auditors' remuneration			
- current year		285,000	250,000
- prior year		2,354	74,742
Legal and professional fees		232,989	-
Provision for doubtful debts - loans		180,009	193,440
Programme costs		174,525	246,385
Fixed assets additions		115,446	61,550
Other expenses		47,037	17,653
		<hr/>	<hr/>
		22,085,764	20,917,136
		<hr/>	<hr/>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	8	<u>7,505,962</u>	<u>(1,435,015)</u>

NATIONAL COUNCIL OF CHURCHES OF KENYA  
SMALL SCALE BUSINESS ENTERPRISE

BALANCE SHEET  
31 DECEMBER 1998

	Note	1998 Sh	1997 Sh
FIXED ASSETS	2	-	-
CURRENT ASSETS			
Loan debtors	3	58,703,638	50,742,354
Other debtors	4	824,176	1,593,111
Short term deposits	5	3,829,397	3,456,302
Cash and bank balances		3,287,219	1,552,855
		<u>66,644,430</u>	<u>57,344,622</u>
CURRENT LIABILITIES			
Bank overdrafts	5	1,989,702	1,460,894
Creditors	6	2,912,675	3,642,927
NCKK - current account		10,245,805	6,947,590
Loans repayable within the next 12 months	7	5,982,263	6,990,749
		<u>21,130,445</u>	<u>19,042,160</u>
NET CURRENT ASSETS		<u><u>45,513,985</u></u>	<u><u>38,302,462</u></u>
Financed by:			
ACCUMULATED SURPLUS	8	45,513,985	38,008,023
LONG TERM LOANS	7	-	294,439
		<u>45,513,985</u>	<u>38,302,462</u>

The financial statements on pages 3 to 7 were approved by the finance committee on *15 April*, 1999 and were signed on its behalf by:

) General Secretary *[Signature]*  
 ) Chairman - Finance Committee  
 ) Honorary Treasurer *[Signature]*

NATIONAL COUNCIL OF CHURCHES OF KENYA  
SMALL SCALE BUSINESS ENTERPRISE

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1998

1 ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The financial statements are prepared on the historical cost basis of accounting.

(b) DEPRECIATION

Fixed assets are written off to the income and expenditure account on acquisition.

(c) INCOME

Income comprises mainly grants, net loan repayments, interest, membership and loan application fees.

Grants, loan repayments, membership and loan application fees are brought into account when they are received. Interest is calculated at an average rate on repayments received. Loan repayments represent receipts in respect of loans previously expensed.

(d) TAXATION

The Small Scale Business Enterprise has no separate legal entity and is an integral part of National Council of Churches of Kenya (NCCCK) which is exempt from taxation on its income.

(e) BAD DEBTS PROVISION

A general provision is made based on recoverability rates in each region.

NATIONAL COUNCIL OF CHURCHES OF KENYA  
SMALL SCALE BUSINESS ENTERPRISE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2	FIXED ASSETS		Office furniture and equipment Sh	Total Sh
		Motor vehicles Sh		
	As at 1 January 1998	1,515,228	2,832,885	4,348,113
	Additions	-	115,446	115,446
	Adjustment	-	45,393	45,393
		<hr/>	<hr/>	<hr/>
	As at 31 December 1998	1,515,228	2,993,724	4,508,952
		<hr/>	<hr/>	<hr/>
	RESERVE			
	As at 1 January 1998	1,515,228	2,832,885	4,348,113
	Additions	-	115,446	115,446
	Adjustment	-	45,393	45,393
		<hr/>	<hr/>	<hr/>
	As at 31 December 1998	1,515,228	2,993,724	4,508,952
		<hr/>	<hr/>	<hr/>
	Net balance	-	-	-
		=====	=====	=====

The adjustment relates to omissions made at the introduction of fixed asset cost and reserve amounts in 1993.

		1998 Sh	1997 Sh
3	LOAN DEBTORS		
	Loan debtors	65,653,019	57,511,726
	Loan debtors provision	(6,949,381)	(6,769,372)
		<hr/>	<hr/>
		58,703,638	50,742,354
		=====	=====

NATIONAL COUNCIL OF CHURCHES OF KENYA  
SMALL SCALE BUSINESS ENTERPRISE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	1998 Sh	1997 Sh
4 OTHER DEBTORS		
Interest receivable	-	443,821
Staff debtors	43,432	172,241
Staff loans	172,466	217,470
Other debtors	<u>608,278</u>	<u>759,579</u>
	<u>824,176</u>	<u>1,593,111</u>
5 BANK OVERDRAFTS		
The bank overdrafts are secured by a fixed deposit of Sh 3,000,000.		
6 CREDITORS		
Client savings	1,216,238	1,785,566
Loan interest	630,883	722,790
Accruals	452,470	390,712
Sundry creditors	<u>613,084</u>	<u>743,859</u>
	<u>2,912,675</u>	<u>3,642,927</u>
7 LONG TERM LOANS - UNSECURED		
Kenya Rural Enterprise project (K-Rep) loan repayable over 7 years Interest at 7% per annum	5,402,309	5,402,309
Gatsby loan @ 12.5%	<u>579,954</u>	<u>1,882,879</u>
	5,982,263	7,285,188
Less: Instalments due within 12 months included in current liabilities	<u>5,982,263</u>	<u>6,990,749</u>
	-	294,439
8 ACCUMULATED SURPLUS		
Balance 1 January	38,008,023	39,443,038
Surplus/(deficit)/ for the year	<u>7,505,962</u>	<u>(1,435,015)</u>
Balance 31 December	<u>45,513,985</u>	<u>38,008,023</u>
9 CONTINGENT LIABILITY		
Liability relates to a court case in which an ex-employee has sued NCKK for wrongful dismissal.	<u>131,600</u>	-
10 CAPITAL COMMITMENTS		
Authorised but not contracted	<u>950,000</u>	<u>600,000</u>