

**Gill &
Johnson**



**SMALL AND MICRO ENTERPRISE PROGRAMME
(FORMERLY NATIONAL COUNCIL OF CHURCHES OF KENYA
SMALL SCALE BUSINESS ENTERPRISE)
(A COMPANY LIMITED BY GUARANTEE)**

FINANCIAL STATEMENTS

31 DECEMBER 1999

SMALL AND MICRO ENTERPRISE PROGRAMME
(FORMERLY NATIONAL COUNCIL OF CHURCHES OF KENYA - SMALL SCALE
BUSINESS ENTERPRISE)
(A COMPANY LIMITED BY GUARANTEE)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999

CONTENTS	PAGES
Corporate information	2
Report of the directors	3
Reports of the auditors	4
Income statement	5
Balance sheet	6
Statement of changes in accumulated surplus	7
Cash flow statement	8
Notes to the financial statements	9 - 13

SMALL AND MICRO ENTERPRISE PROGRAMME
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CORPORATE INFORMATION

DIRECTORS

J Muriu
M Musyimi
S Awuor
A Ngugi
A Abuom
V Awori
M Okello - resigned 30 May 2000
R Mutiso

SECRETARY

L Ndolo - appointed 10 November 1999

AUDITORS

Gill & Johnson
"Kirungii" Ring Road Westlands
P O Box 40092
Nairobi

BANKERS

Barclays Bank of Kenya
Haile Sellasie Avenue Branch
P O Box 20415
Nairobi

Co-operative Bank of Kenya
Cannon House Bank
P O Box 67881
Nairobi

SMALL AND MICRO ENTERPRISE PROGRAMME
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REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report and the audited financial statements of the programme for the year ended 31 December 1999.

INCORPORATION

The programme was incorporated on 19 April 1999 under the Companies Act, as a company limited by guarantee and having no share capital. The programme took over the activities of the former National Council of Churches of Kenya Small Scale Business Enterprise

PRINCIPAL ACTIVITIES

The programme focuses on poverty alleviation and employment creation through the support of Micro and Small Enterprises, and is a national network with operations in all provinces except North Eastern.

RESULTS

	Sh
The programme realised a surplus of	5,721,216 =====

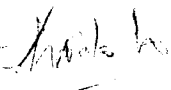
DIRECTORS

Rev M Musyimi, Mr S Awuor, Mr A Ngugi, Mr J Muriu and Dr A Abuom are directors, having subscribed to the Memorandum and Articles of Association. Mrs V Awori was appointed on 10 November 1999.

AUDITORS

The auditors, Gill & Johnson, were appointed on 10 November 1999, and having expressed their willingness, continue in office in accordance with Section 159 (2) of the Companies Act.

BY ORDER OF THE BOARD

Secretary 

Nairobi

2000

REPORT OF THE AUDITORS TO THE MEMBERS OF
SMALL AND MICRO ENTERPRISE PROGRAMME
(FORMERLY NATIONAL COUNCIL OF CHURCHES OF KENYA - SMALL SCALE
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1. We have audited the financial statements on pages 5 to 13 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
2. The directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those financial statements based on our audit.
3. We conducted our audit in accordance with International Standards on Auditing. Those 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 directors, and evaluating the overall financial statement presentation.
4. In our opinion, proper books of account have been kept by the company and the financial statements, which are in agreement therewith comply with the Companies Act and give a true and fair view of the state of affairs of the company at 31 December 1999 and of the results of its operations and its cash flows for the year ended on that date.

2000

SMALL AND MICRO ENTERPRISE PROGRAMME
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INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1999

	Note	1999 Sh	1998 Sh
INCOME	2	37,509,123	29,591,726
PERSONNEL COSTS		15,866,118	13,054,734
FIXED ASSETS ADDITIONS		3,579,800	115,446
ADMINISTRATION COSTS		5,402,791	3,151,566
OTHER OPERATING COSTS	3	5,441,560	4,980,101
		<u>30,290,269</u>	<u>21,301,847</u>
OPERATING SURPLUS		7,218,854	8,289,879
FINANCIAL COSTS		(1,497,638)	(783,917)
SURPLUS FOR THE YEAR		<u><u>5,721,216</u></u>	<u><u>7,505,962</u></u>



SMALL AND MICRO ENTERPRISE PROGRAMME
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BALANCE SHEET
31 DECEMBER 1999

	Note	1999 Sh	1998 Sh
ASSETS			
Non current assets			
Property, plant and equipment	4	-	-
Current assets			
Loan debtors	5	96,304,825	58,703,638
Other debtors	6	1,210,136	824,176
Short term deposits	7	54,918,293	3,829,397
Cash and bank balances		4,224,448	3,287,219
Total assets		<u>156,657,702</u>	<u>66,644,430</u>
EQUITY AND LIABILITIES			
Reserves			
Accumulated surplus		51,235,201	45,513,985
Non current liabilities			
Loans	9	8,020,051	-
Correlated funds	10	44,652,000	-
		<u>52,672,051</u>	<u>-</u>
Current liabilities			
Trade and other payables	8	4,702,225	2,912,675
NCCK – current account		9,725,345	10,245,805
Loans repayable within 12 months	9	16,906,068	5,982,263
Bank overdraft secured	7	21,416,812	1,989,702
		<u>52,750,450</u>	<u>21,130,445</u>
Total equity and liabilities		<u>156,657,702</u>	<u>66,644,430</u>

The financial statements on pages 5 to 13 were approved by the board of directors on
and were signed on its behalf by:

2000

) Director
) Director
) Director
)

SMALL AND MICRO ENTERPRISE PROGRAMME
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STATEMENT OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED 31 DECEMBER 1999

	Accumulated Surplus Sh
At 1 January 1999	45,513,985
Surplus for the year	5,721,216
	<hr/>
At 31 December 1999	51,235,201
	<hr/> <hr/>

SMALL AND MICRO ENTERPRISE PROGRAMME
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CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1999

	Note	1999 Sh	1998 Sh
CASH FROM OPERATING ACTIVITIES			
Cash generated from operations	11(a)	(29,499,203)	3,665,493
		<u> </u>	<u> </u>
NET CASH FLOW FROM OPERATIONS		(29,499,203)	3,665,493
		<u> </u>	<u> </u>
CASH FLOW FROM FINANCING ACTIVITIES			
Loans received/(paid)		18,943,856	(1,302,925)
Correlated funds received		44,652,000	-
Finance costs		(1,497,638)	(783,917)
		<u> </u>	<u> </u>
NET CASH FLOW FROM FINANCING ACTIVITIES		62,098,218	(2,086,842)
		<u> </u>	<u> </u>
INCREASE IN CASH AND CASH EQUIVALENTS		32,599,015	1,578,651
Cash and cash equivalents at 1 January		5,126,914	3,548,263
		<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	11(b)	<u>37,725,929</u>	<u>5,126,914</u>
		<u> </u>	<u> </u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999

1 ACCOUNTING POLICIES

The principal accounting policies of the company, which are set out below, conform with standards issued by the International Accounting Standards Committee and have been applied for the first time in this financial year.

There are no significant changes in accounting policy that affect operating surplus resulting from adoption of International Accounting Standards by the programme. In accordance with generally accepted accounting practice, the previous year's comparatives have been restated where necessary.

(a) BASIS OF ACCOUNTING

The financial statements are prepared in accordance with and comply with International Accounting Standards which have been adopted from 1 January 1999. They have been prepared on the historical cost basis of accounting.

(b) PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment are written off to the income statement 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

Small and Micro Enterprise Programme is a not for profit organisation and has applied for tax exemption. No taxation has therefore been provided for in these financial statements.

(e) BAD DEBTS PROVISION

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

(f) RETIREMENT BENEFITS

The company 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 Sh 80 per employee per month.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	1999	1998
	Sh	Sh
2		
INCOME		
Interest	24,476,926	21,572,304
Grant for support costs	8,559,016	5,980,855
Loan application fees	1,709,300	1,394,745
Membership fees	655,250	428,550
Sundry income	2,101,907	198,472
Net loans repaid	6,724	16,800
	<u>37,509,123</u>	<u>29,591,726</u>
	=====	=====
3		
OTHER OPERATING COSTS		
Travel and transport costs	3,116,823	3,614,366
Provision for doubtful debts – other	-	443,821
Auditors' remuneration		
- current year	450,000	285,000
- prior year	1,858	2,354
Legal and professional fees	471,150	232,989
Provision for doubtful debts - loans	-	180,009
Programme costs	1,162,660	174,525
Other expenses	173,209	47,037
Subscriptions & donations	65,860	-
	<u>5,441,560</u>	<u>4,980,101</u>
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4	PROPERTY, PLANT AND EQUIPMENT		Office furniture and equipment Sh	Total Sh
		Motor vehicles Sh		
	As at 1 January 1999	1,515,228	2,993,724	4,508,952
	Additions	-	3,579,799	3,579,799
		<u>1,515,228</u>	<u>6,573,523</u>	<u>8,088,751</u>
	As at 31 December 1999	<u>1,515,228</u>	<u>6,573,523</u>	<u>8,088,751</u>
	RESERVE			
	As at 1 January 1999	1,515,228	2,993,724	4,508,952
	Additions	-	3,579,799	3,579,799
		<u>1,515,228</u>	<u>6,573,523</u>	<u>8,088,751</u>
	As at 31 December 1999	<u>1,515,228</u>	<u>6,573,523</u>	<u>8,088,751</u>
			1999 Sh	1998 Sh
5	LOAN DEBTORS			
	Loan debtors		100,157,011	65,653,019
	Less: Provision		(3,852,186)	(6,949,381)
			<u>96,304,825</u>	<u>58,703,638</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	1999	1998
	Sh	Sh
6 OTHER DEBTORS		
Interest receivable	194,230	-
Staff debtors	25,226	43,432
Staff loans	120,649	172,466
Prepayments	210,474	163,629
Withholding tax recoverable	232,217	-
Other debtors	<u>427,340</u>	<u>444,649</u>
	1,210,136	824,176
	=====	=====
7 SHORT TERM DEPOSITS AND BANK OVERDRAFTS		
Barclays Bank of Kenya Limited	2,079,180	3,700,504
Co-operative Bank of Kenya Limited	52,839,113	-
Standard Chartered Bank	-	128,893
	<u>54,918,293</u>	<u>3,829,397</u>
	=====	=====
The bank overdrafts are secured by a fixed deposit of Sh 46,652,000.		
8 TRADE AND OTHER PAYABLES		
Client savings	1,216,238	1,216,238
Loan interest	795,852	630,883
Accruals	494,383	452,470
Sundry creditors	<u>2,195,752</u>	<u>613,084</u>
	4,702,225	2,912,675
	=====	=====
9 LOANS		
Kenya Rural Enterprise project (K-Rep) loan repayable over 7 years		
Interest at 7% per annum	5,402,309	5,402,309
European Union – Micro Enterprise Support Programme Loan repayable over 2 years at 7% per annum	19,523,810	-
Gatsby loan @ 12.5%	<u>-</u>	<u>579,954</u>
	24,926,119	5,982,263
Less: Instalments due within 12 months included in current liabilities	<u>16,906,068</u>	<u>5,982,263</u>
	8,020,051	-
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 CORRELATED FUNDS

These are funds obtained from USAID and were deposited with Co-operative Bank as collateral for a bank facility.

	1999 Sh	1998 Sh
11 (a) CASH GENERATED FROM OPERATIONS		
Operating surplus	7,218,854	8,289,879
Working capital changes:		
Increase in loan debtors	(37,601,187)	(7,961,284)
(Increase)/decrease in other debtors	(385,960)	768,935
Increase/(decrease) in trade and other payables	1,789,550	(730,252)
(Decrease)/increase in NCCK – current account	(520,460)	3,298,215
	<u>(29,499,203)</u>	<u>3,665,493</u>
	=====	=====
(b) CASH AND CASH EQUIVALENTS		
Cash and bank balances	4,224,448	3,287,219
Short term deposits	54,918,293	3,829,397
Bank overdraft	(21,416,812)	(1,989,702)
	<u>37,725,929</u>	<u>5,126,914</u>
	=====	=====
12 CONTINGENT LIABILITY		
Liability relates to a court case in which an ex-employee has sued NCCK for wrongful dismissal.	<u>131,600</u>	<u>131,600</u>
	=====	=====
13 CAPITAL COMMITMENTS		
Authorised but not contracted	<u>19,456,870</u>	<u>950,000</u>
	=====	=====