

IMARA EDUCATIONAL FOUNDATION
AUDITED FINANCIAL STATEMENTS

31ST DECEMBER 2012

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Kimani Kerretts & Co.
Certified Public Accountants
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IMARA EDUCATIONAL FOUNDATION

DIRECTORS

: Dr. Paul Kioko - Chairman
: Eric Saulo - General Secretary
: Luis Franceschi - Honorary Treasurer
: Caesar Peraza - Member

ADMINISTRATOR

: Anthony Munene

REGISTERED OFFICE

: Lavington
Mzima Springs Road
NAIROBI

BANKERS

: CFC Stanbic Bank Kenya Ltd.
Westlands Branch
NAIROBI

: NIC Bank Ltd.
Westlands Branch
NAIROBI

INDEPENDENT AUDITORS

: Kimani Kerretts & Co
Certified Public Accountants

IMARA EDUCATIONAL FOUNDATION

Report of the Board of Directors

to the Members of Imara Educational Foundation

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31st December 2012.

INCORPORATION

Imara Educational Foundaton is a company limited by guarantee and not having a share capital.

PRINCIPAL ACTIVITIES

The principal activities of Imara Educational Foundation remain those of sponsoring the activities of Satima Study Centre, Hodari Residence, Hodari Boys Club, Office for the Causes of Saints and support activities of Bugala Study Centre in Kampala, Uganda.

RESULTS

The results for the year are set out in the Statement of Comprehensive Income on page 5.

DIVIDENDS

The Directors do not recommend declaration of dividend for the year. In accordance with the Articles of Association, no Directors are due for retirement by rotation.

DIRECTORS

The names of the Directors who served during the year are set out on page 1.

INDEPENDENT AUDITORS

The auditors, Kimani Kerretts & Co., Certified Public Accountants have expressed their willingness to continue in office in accordance with Section 159(2) of the Companies Act.

Nairobi

By Order of the Board

Date

Secretary

IMARA EDUCATIONAL FOUNDATION

Statement of the Board of Directors' Responsibilities

To the Members of Imara Educational Foundation Limited

The Kenyan companies act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Foundation as at the end of the financial year and of its operating results for that year. The Directors should ensure that the Foundation maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the Foundation. The Directors are also responsible for safeguarding the assets of the Foundation.

The Directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

- i) Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- ii) Selecting and applying appropriate accounting policies; and
- iii) Making accounting estimates and judgements that are reasonable in the circumstances.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Foundation as at 31st December 2012 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.

Nothing has come to the attention of the Directors to indicate that the Foundation will not remain a going concern for at least twelve months from the date of this statement.

Approved by the Directors on _____ and signed on their behalf by:-

Director

Director

IMARA EDUCATIONAL FOUNDATION

Report of the Independent Auditors

To the Members of Imara Educational Foundation

We have audited the accompanying financial statements of Imara Educational Foundation as set out on pages 5 to 16. These financial statements comprise the statement of financial position at 31st December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, together with a summary of significant accounting policies and other explanatory notes.

The Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standard for Small and Medium-sized Entities. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an independent opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate on the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the foundation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the Foundation at 31st December 2012 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.

Nairobi

IMARA EDUCATIONAL FOUNDATION

Statement of Comprehensive Incomefor the year ended 31st December 2012

INCOME	Note	<u>2012</u> Kshs	<u>2011</u> Kshs
Local donations		22,592,737	19,812,156
Overseas donations		36,006,837	8,374,679
Interest income		2,412,495	-
Loss on foreign exchange		(676,608)	(6,174,393)
Other income		1,578,544	1,735,248
Gain on asset disposal		437,500	-
Total income		<u>62,351,505</u>	<u>23,747,690</u>
EXPENDITURE			
Supported activities	2	21,480,759	21,438,408
Staff costs	3	1,663,389	1,334,699
Establishment costs	4	7,780,715	7,258,594
Administration costs	5	8,554,883	9,381,557
Finance costs	6	1,104,834	1,539,790
Total expenditure		<u>40,584,580</u>	<u>40,953,048</u>
SURPLUS/(DEFICIT) FOR THE YEAR		Kshs <u><u>21,766,925</u></u>	<u><u>(17,205,358)</u></u>

IMARA EDUCATIONAL FOUNDATION

Statement of Financial Positionas at 31st December 2012

ASSETS	Note	<u>2012</u> Kshs	<u>2011</u> Kshs
Non-current assets			
Property and equipment	7	267,231,664	272,586,733
Prepaid operating lease rental	8	6,523,710	6,598,839
Loan receivable	9	941,174	1,379,252
		<u>274,696,548</u>	<u>280,564,824</u>
Current assets			
Receivables and prepayments	10	28,319,673	27,328,584
Fixed deposit	11	13,386,454	16,134,436
Bank and cash balances	12	24,694,509	9,468,897
		<u>66,400,636</u>	<u>52,931,917</u>
TOTAL ASSETS	Kshs	<u>341,097,184</u>	<u>333,496,741</u>
FUNDS AND LIABILITIES			
Capital reserves		225,957,652	225,957,652
Revenue reserve		-477,521	(22,244,446)
		<u>225,480,131</u>	<u>203,713,206</u>
Non Current liabilities			
Long term borrowings	13	95,169,399	100,101,419
Current liabilities			
Payables and accruals	14	20,447,654	29,682,116
TOTAL FUNDS AND LIABILITIES	Kshs	<u>341,097,184</u>	<u>333,496,741</u>

The financial statements on pages 5 to 16 were approved by the Directors on

 Director

 Director

IMARA EDUCATIONAL FOUNDATION

Statement of Changes in Equityas at 31st December 2012

		Capital reserves Kshs	Revenue reserves Kshs	Totals Kshs
At 1 January 2011		225,957,652	-5,039,088	220,918,564
Deficit for the year		-	-17,205,358	-17,205,358
AT 31 DECEMBER 2011	Kshs	<u>225,957,652</u>	<u>(22,244,446)</u>	<u>203,713,206</u>
At 1 January 2012		225,957,652	-22,244,446	203,713,206
Surplus for the year		-	21,766,925	21,766,925
AT 31 DECEMBER 2012		<u>225,957,652</u>	<u>(477,521)</u>	<u>225,480,131</u>

IMARA EDUCATIONAL FOUNDATION

Statement of Cash Flowsfor the year ended 31st December 2012

	<u>2012</u> Kshs	<u>2011</u> Kshs
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/(Deficit) for the year	21,766,925	(17,205,358)
Adjustments:		
Depreciation	6,913,069	7,114,645
Amortisation	75,129	75,129
Loss on foreign exchange	676,608	6,174,393
Interest received	(2,412,495)	350,570
Gain on motor vehicle disposal	(437,500)	-
Changes in operating assets and liabilities	<u>26,581,736</u>	<u>(3,490,621)</u>
Decrease in loan receivable	438,078	2,301,280
(Increase)/Decrease in receivables and prepayments	(991,089)	8,245,452
Decrease in payables and accruals	(9,234,462)	(354,440)
	<u>(9,787,473)</u>	<u>10,192,292</u>
Net cash flows generated from operating activities	<u>16,794,263</u>	<u>6,701,671</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,412,495	(350,570)
Proceeds on sale of fixed assets	437,500	-
Additions to plant and equipment	(1,558,000)	(11,574,732)
Net cash flows from/(used in) investing activities	<u>1,291,995</u>	<u>(11,925,302)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loss on foreign exchange	(676,608)	(6,174,393)
Repayment of borrowings	(4,932,020)	181,356
Net cash flows used in financing activities	<u>(5,608,628)</u>	<u>(5,993,037)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>12,477,630</u>	<u>(11,216,668)</u>
Balance at beginning of the year	<u>25,603,333</u>	<u>36,820,001</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 12a)	Kshs <u>38,080,963</u>	<u>25,603,333</u>

IMARA EDUCATIONAL FOUNDATION

Notes to the Financial Statements

for the year ended 31st December 2012

1.0 ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

1.1 Basis of preparation

These financial statements have been prepared on a going concern basis and in compliance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board. The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

1.2 Revenue recognition

Income comprises mainly of donations, both local and overseas, rent and interest receivable.

Donations are recognised in the period in which they are received. Donations in kind are taken into income account at their estimated market value at the date of receipt.

Other income earned by the foundation is recognised as it accrues.

1.3 Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight line method. The following annual rates are used for the depreciation of property and equipment:

Buildings	1%
Motor vehicles	25%
Furniture and fittings	12.5%
Office equipment	12.5%

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

On the disposal, the difference between the net disposal proceeds and the carrying amount of the item sold is recognised in the income and expenditure account.

IMARA EDUCATIONAL FOUNDATION

Notes to the Financial Statements

for the year ended 31st December 2012

1.4 Taxation

The Foundation income tax exemption certificate has not been renewed as per Kenya Revenue Authority (KRA) notice issued on 16th February 2010. The notice provides that exemption granted under paragraph 10 of the first schedule of the Income Tax Act is valid for three years from the date of issue and is subject to renewal upon expiry of the period. All previously issued certificates without expiry dates are therefore invalid. The KRA notice further explains that any person/organization in possession of a certificate, whose validity has expired, is not eligible to be treated as tax exempt.

1.5 Foreign currencies

Foreign currencies held at the end of the year are translated into Kenya shillings at the exchange rate ruling at the statement of financial position date. Transactions during the year are translated at the rates ruling at the dates of transactions. Foreign exchange gain and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

1.6 Impairment

At each statement of financial position date the company, reviews the carrying amount of its financial, tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the assets recoverable amount is estimated and an impairment loss is recognized in statement of comprehensive income whenever the carrying amount of the assets exceeds its recoverable amount.

1.7 Cash and cash equivalents

For the purpose of statement of cash flows, cash equivalents comprise cash in hand, cash held at banks and fixed deposits.

1.8 Receivables

Receivables are carried at original invoiced amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end.

Receivables not collectable are written off against the related provisions. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income in the year of recovery.

1.9 Payables

Payables are stated at nominal value less amounts not expected to be payable.

IMARA EDUCATIONAL FOUNDATION

Notes to the Financial Statements

for the year ended 31st December 2012

1.10 Retirement benefits obligations

The company and its employees contribute to a statutory defined scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and the company's contributions are charged to the statement of comprehensive income in the year in which it relates.

1.11 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

2.0 SUPPORTED ACTIVITIES	<u>2012</u> Kshs	<u>2011</u> Kshs
Hodari	3,056,600	2,975,545
Satima	2,214,078	3,285,855
Kyoga	316,000	614,950
Family assistance	279,007	1,492,400
Tigoni study centre	1,093,526	2,000,293
Bursaries	8,679,723	88,184
Office of the causes of saints	19,000	152,320
Watani	1,630,663	978,399
Mbagathi residence	360	20,000
Jahazi development	1,620,104	6,954,988
Kivulini residence	70,676	80,000
Karima residence	2,385,602	2,795,474
Riverside S.C	69,420	-
Sango	46,000	-
	Kshs <u>21,480,759</u>	<u>21,438,408</u>
 3.0 STAFF COSTS	 Kshs	 Kshs
Salaries and wages	1,390,603	1,147,994
Staff medical	4,620	8,990
Staff training	268,166	177,715
	Kshs <u>1,663,389</u>	<u>1,334,699</u>
 4.0 ESTABLISHMENT COSTS	 Kshs	 Kshs
Repair and maintenance	792,516	68,820
Depreciation	6,913,070	7,114,645
Amortisation	75,129	75,129
	Kshs <u>7,780,715</u>	<u>7,258,594</u>

IMARA EDUCATIONAL FOUNDATION

Notes to the Financial Statements

for the year ended 31st December 2012

	<u>2012</u> Kshs	<u>2011</u> Kshs
5.0 ADMINISTRATION COSTS		
Postage,telephones and emails	120,185	217,120
Vehicle running expenses	769,120	82,000
Travelling and subsistence	1,716,993	1,192,017
Printing and stationery	706,849	63,157
Subscription and periodicals	2,700	1,000
Audit fees	100,000	100,000
Miscellaneous expenses	13,849	40,292
Bank charges	84,550	91,125
Premises charges	54,720	72,000
Priestly activities	4,815,017	7,318,280
Professional fees	23,540	157,500
Strathmore services	147,360	44,200
Insurance	-	2,866
	Kshs <u><u>8,554,883</u></u>	<u><u>9,381,557</u></u>
6.0 FINANCE COSTS		
	Kshs	Kshs
Interest income	-	350,570
Interest on loan	1,104,834	1,189,220
	Kshs <u><u>1,104,834</u></u>	<u><u>1,539,790</u></u>

IMARA EDUCATIONAL FOUNDATION

Notes to the Financial Statementsfor the year ended 31st December 2012

7.0 PROPERTY AND EQUIPMENT	<u>Freehold land and Buildings</u> Kshs	<u>Motor Vehicles</u> Kshs	<u>Furniture and Fittings</u> Kshs	<u>Office Equipment</u> Kshs	<u>Generators</u> Kshs	<u>Totals</u> Kshs
COST OR VALUATION						
At 1 January 2012	273,257,358	19,166,136	8,631,369	14,651,524	2,183,990	317,890,377
Additions	800,000	755,000	-	3,000	-	1,558,000
At 31 December 2012	<u>274,057,358</u>	<u>19,921,136</u>	<u>8,631,369</u>	<u>14,654,524</u>	<u>2,183,990</u>	<u>319,448,377</u>
DEPRECIATION						
At 1 January 2012	15,042,400	16,424,320	4,965,957	7,825,009	1,045,958	45,303,644
Charge for the year	2,740,574	1,644,649	823,928	1,430,919	272,999	6,913,069
At 31 December 2012	<u>17,782,974</u>	<u>18,068,969</u>	<u>5,789,885</u>	<u>9,255,928</u>	<u>1,318,957</u>	<u>52,216,713</u>
NET BOOK VALUE AT 31.12.2012	Kshs <u>256,274,384</u>	<u>1,852,167</u>	<u>2,841,484</u>	<u>5,398,596</u>	<u>865,033</u>	<u>267,231,664</u>
NET BOOK VALUE AT 31.12.2011	Kshs <u>258,214,958</u>	<u>2,741,816</u>	<u>3,665,412</u>	<u>6,826,515</u>	<u>1,138,032</u>	<u>272,586,733</u>

IMARA EDUCATIONAL FOUNDATION

Notes to the Financial Statements

for the year ended 31st December 2012

8.0 PREPAID OPERATING LEASE RENTALS

The leasehold land is disclosed as prepaid operating lease rental and is carried at cost less amortisation over the period of 96 years 10 months effective from 1st January 2003.

	<u>2012</u> Kshs	<u>2011</u> Kshs
Gross carrying value	<u>7,275,000</u>	<u>7,275,000</u>
Net book value at start of the year	6,598,839	6,673,968
Amortisation for the year	<u>-75,129</u>	<u>-75,129</u>
NET BOOK VALUE AT 31ST DECEMBER	Kshs <u>6,523,710</u>	<u>6,598,839</u>

	<u>2012</u> Kshs	<u>2011</u> Kshs
9.0 LOAN RECEIVABLE		
Bugala loan receivable	-	438,078
Kimlea loan receivable	<u>941,174</u>	<u>941,174</u>
	Kshs <u>941,174</u>	<u>1,379,252</u>

IMARA EDUCATIONAL FOUNDATION

Notes to the Financial Statements

for the year ended 31st December 2012

10.0 RECEIVABLES AND PREPAYMENTS	<u>2012</u>	<u>2011</u>
	Kshs	Kshs
Electricity deposit	200,000	200,000
Jahazi deposits	60,000	60,000
Kyoga foundation project	10,666,206	10,742,538
Other debtors	87,766	80,748
Student loan	9,242,462	9,140,961
Nurisha trust	49,603	49,603
Book fund	-	412,627
Rent advance- MC Osyanju	-	92,000
Strathmore Educational Trust	73,231	15,000
Eastlands Project	389,773	376,425
Vehicle debtors	-	331,862
Chris Kimaru	175,000	175,000
Office of the causes of saints	1,920,970	1,498,144
Strathmore School	6,900	6,900
Caixa	4,371,182	4,140,576
Kianda Foundation	66,305	6,200
Staff advances	92,000	-
Residents	918,275	-
	<u>Kshs 28,319,673</u>	<u>27,328,584</u>
11.0 FIXED DEPOSIT	Kshs	Kshs
BAAM-Money market	1,281,784	8,589,520
BAAM-British American balanced fund	5,093,032	4,098,964
CFC Stanbic - Fr. Cormac Burke	1,859,490	815,329
NIC Deposits-Fixed and Call	1,837,844	1,609,859
NIC Fixed deposit	2,188,794	-
CFC Stanbic - Call deposit	93,969	424,534
CFC Stanbic - Fixed deposit	-	596,230
CFC Stanbic Puresave account	1,031,541	-
	<u>Kshs 13,386,454</u>	<u>16,134,436</u>
12.0 CASH AND BANK BALANCES	Kshs	Kshs
Cash at bank	23,951,138	8,736,376
Cash in hand	743,371	732,521
	<u>Kshs 24,694,509</u>	<u>9,468,897</u>

IMARA EDUCATIONAL FOUNDATION

Notes to the Financial Statements

for the year ended 31st December 2012

12(a) CASH AND CASH EQUIVENTS

For the purpose of the statement of financial position and the statement of cashflows, cash and cash equivalents comprise of the following:-

	<u>2012</u>	<u>2011</u>
	Kshs	Kshs
Fixed deposit	13,386,454	16,134,436
Cash and bank balances	24,694,509	9,468,897
	Kshs <u><u>38,080,963</u></u>	<u><u>25,603,333</u></u>
13.0 LONG TERM BORROWINGS	Kshs	Kshs
Fomento de Fundaciones		
US \$ 330,110 interest free	-	438,078
Karima SFL loan US\$ 1,300,000		
Repayable by 30 January 2028	95,169,399	99,663,341
Balance at 31.12.2012	Kshs <u><u>95,169,399</u></u>	<u><u>100,101,419</u></u>
14.0 PAYABLES AND ACCRUALS	Kshs	Kshs
Karima residence set up	-	(86,385)
Basic electronic library	-	118,048
Accruals	211,954	310,361
Way in Tingrinya	-	5,848
New media	132,711	195,216
Kimani Kerretts & Co.	100,000	100,000
Riverside study centre	-	52,400
FAS Loan	9,380,527	9,380,528
Way in Kinyaruanda	-	1,233
Liturgical objects	1,378,009	1,378,009
Donations Scholarship	9,262,341	18,244,746
Archers Tours & Travel	(17,888)	(17,888)
	Kshs <u><u>20,447,654</u></u>	<u><u>29,682,116</u></u>
15.0 LOAN		
Karima SFL loan		
This relates to loan received by Imara Educational Foundation for the construction of Karima house. The loan is repayable by 30th January 2028.		
16.0 CURRENCY		
The Financial statements are expressed in Kenya Shillings (Kshs).		