

NURU INTERNATIONAL KENYA
AUDITED FINANCIAL STATEMENTS

31ST DECEMBER 2017

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NURU INTERNATIONAL KENYA

EXECUTIVE BOARD MEMBERS : Anne Mosenda - Chairperson
: Pauline Wambeti - Secretary
: Joseph Matiko - Treasurer

BOARD MEMBERS : Naomi Matiko - Member
: Leonard Otii - Member
: Kennedy Opondo - Member
: Catherine Tingo - Member
: Anastacia Masero - Member
: Francis Kasera - (Deceased)
: *Prof. Sangai Mohochi
: *Nelly Andega
* Left on March 11, 2017

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Migori - Isebania Road
P. O. BOX 176 - 40414
Isebania
KENYA

PRINCIPAL BANKERS : Kenya Commercial Bank Limited
Isebania Branch
: Equity Bank of Kenya Limited
Migori Branch
: Ecobank Kenya Limited
Kisii Branch

INDEPENDENT AUDITORS : KKCO East Africa
Certified Public Accountants of Kenya

NURU INTERNATIONAL KENYA

LIST OF ABBREVIATIONS AND ACRONYMS

BNLT	Basic Nuru Leadership Training
EBF	Exclusive Breastfeeding
CHV	Community Health Volunteer
HC	Health Care
FO	Field Officer
HHs	Households
HIV	Human Immunodeficiency Virus
KE	Kuria East
LLIN	Long Life Insecticide Net
M&E	Monitoring and Evaluation
MLND	Maize Lethal Necrosis Disease
MoH	Ministry of Health
MOY	Mid of Year
NIK	Nuru International Kenya
NGO	Non-Governmental Organization
NKSE	Nuru Kenya Social Enterprise
PHO	Public Health Officer
PSA	Program Specialist Advisor
SSO	Sustainable State Operations
TOT	Trainer of Trainers

NURU INTERNATIONAL KENYA

Report of the Board of Directors

to the Members of Nuru International Kenya

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31st December 2017.

INTRODUCTION

Nuru Kenya is registered NGO (OP.218/051/2010/092/6886) whose mission is to end extreme poverty one community at a time in remote rural regions. The organization's holistic poverty reduction model is implemented through integration of Agriculture, Healthcare, Financial Inclusion and Education Programs. This annual report summarizes the major activities from January to December year 2017.

AREA OF COVERAGE

The Organization currently operates in 53 sub-locations under 4 sub-counties (Kuria East, Kuria West, Uriri and Awendo) in Migori County.

KEY RESULT AREAS

Nuru Kenya continued to intensify its poverty reduction efforts through the 14 community led organizations(co-operatives) established in year 2015. Emphasis was put on building the resilience of smallholder farmers through diversification of livelihoods for food security, quality nutrition and increased income streams. The organization would then eventually graduate the farmers from donor support upon achievement of set milestones. Key among these includes the successful establishment of functional revolving fund fully managed by farmers through a secondary co-operative (union).

1.0 PROGRAMS ACTIVITY REPORTS

1.1 LIVELIHOOD PROGRAM

This program was established to facilitate the coordination and expansion of Agriculture, Co-operatives and Market Linkages Departments. The **Agriculture program** team rolled out dairy farming in addition to the crop project. There were 219 pioneer farmers from 4 co-operatives enrolled in the pilot phase during the year. This was in order to mitigate against the prevalent crop failure in the region due to diseases, pests and reliance on rain-fed agriculture. In addition, the improvement of local breeds would curb the rampant armed cattle rustling activities which rendered the region quite insecure. The 219 farmers successfully established fodder plots during the long and short rain seasons in the year. They also commenced training on animal husbandry and savings in preparation for accessing an improved heifer on loan through their respective co-operatives.

The market Linkages and Co-operative department focused on establishing a market of crop and eventually dairy product for the farmers. One thousand eight hundred and twenty (1820) farmers from 14 cooperatives were issued with inputs worth KES 17,733,200.A total of 2061 acres were under maize and millet production.

The year ended with improvement in the agricultural inputs loan repayment from 82.1% to 100%. This was achieved through sale of approximately 450 tons of maize by the co-operatives. The organization continued to be the custodian of the revolving fund awaiting the formation of a union. Nuru Kenya continued to build the capacity of the Management Committees of the co-operatives through structured trainings and exchange visits to co-operatives in other regions.

NURU INTERNATIONAL KENYA

Report of the Board of Directors

to the Members of Nuru International Kenya.../(Contd.)

1.2 FINANCIAL INCLUSION PROGRAM

The Financial Inclusion program aimed at improving the well-being of targeted communities by focusing on reducing the barriers which prevent them from accessing mainstream financial services through household economic strengthening. The organization partnered with Kenya Commercial Bank (KCB) to transition members of the Financial Inclusion groups to the Chama Solutions Platform.

This platform provided faster access to the savings and lending activities of the table banking groups mobilized by the organization. It was also safer and more transparent than cash handling during the weekly and bi-weekly group meetings. A total of 127 groups were successfully transitioned in the platform.

The bank continued collaborating with the organization to offer money management and entrepreneurial skills. There was successful initiation of income generating activities by 21 groups. The activities mainly involved poultry and goat farming.

The team continued to mobilize savings by the members of the co-operatives in preparation for the heifer loan to be disbursed in year 2018.

1.3 HEALTHCARE PROGRAM

The shift by the organization to the co-operative approach led to the re-designing of the Healthcare Program. The program aimed at reaching Nuru farmer households with health information to increase uptake of quality health services. The tailored interpersonal communication approach facilitated the promotion and adoption of identified healthy behaviors that contribute to the elimination of preventable disease incidences. There was a change from household visits being conducted by field officers to the care group model implemented by health volunteer leaders appointed by the co-operative members. The new model aimed at empowering farmers to sustain health interventions with minimal or no donor support. The volunteers were women of child bearing age selected by the farmers. Each volunteer was required to visit 10-15 households per month and participate in a monthly meeting in their respective regions in order to submit their monthly reports. Health Promoters were retained by the organization to continue providing oversight and mentorship to the health volunteers until the co-operative became eligible for graduation. The activities conducted during the year focused on Safe Water, Sanitation, Malaria prevention, Safe Pregnancy and Child birth, Immunization, Exclusive Breastfeeding and Nutritive Complementary feeding upon weaning.

The program team conducted a one week training for **150 health volunteer leaders in 12 Co-operatives**. Refresher trainings and follow up meetings were undertaken each quarter by the 6 health promoters.

NURU INTERNATIONAL KENYA

Report of the Board of Directors

to the Members of Nuru International Kenya.../(Contd.)

1.4 EDUCATION PROGRAM

Nuru Kenya Education Program focused on increasing the ability of the targeted population of children to read, write and comprehend basic text in English. The Program carried out interventions in **24 rural public primary schools** in Kuria West, East and Awendo Sub counties. A total of **5,992 learners** were reached during the reporting period. The program implemented the following four main activities:

- Regular Teachers Training: an intensive two weeks Teachers Training of 96 government employed teachers drawn from the 24 public primary schools.
- Training sessions focused in the following modules: Extreme poverty, Nuru Kenya Holistic Programs, Literacy Components, Literacy Strategies, Assessment tools and School Library Component.
- School Administrative Management Training: This was a sensitization training on Nuru's approaches of poverty reduction and education program content. Participants included Head teachers and their deputies, Senior teachers and Heads of English Language Department in the 24 intervention schools.
- Establishing and Provision of Education Materials to School Libraries: the Program supported the establishment of school libraries in the 24 intervention schools by donating 116 story books to each school. The story books comprised of thirty different titles from different publishers relevant for learners from Pre-unit to Grade 5 levels. The story books aimed to promote reading practices of the learners.
- Formation of Community managed book banks in the cooperatives: The Program established 12 book banks in 12 cooperatives with the aim of improving standard two literacy levels of cooperative members' children. The story books provided were stored in metallic boxes in cooperative offices. The management of the book banks was done by management committees of the respective co-operatives. The children of the co-operative members accessed the books during the school holidays by going to the co-operatives on designated days. However, during the school terms, the members borrowed the books for their children to read after school or during weekends.

2.0 INTER-PROGRAM ACTIVITIES

During the year, the Leadership Program team trained Education program staff on the following areas: Adult trainings Reviews, Training techniques and strategies with evaluations to acquire more skills in interactions with the cooperatives members and teachers during trainings, observation and feedback sessions.

NURU INTERNATIONAL KENYA

Report of the Board of Directors

to the Members of Nuru International Kenya.../(Contd.)

2.1 LEADERSHIP PROGRAM

The Leadership program aimed at equipping the staff and management committees knowledge and skills necessary for implementing and sustaining the poverty reduction activities. The team reached 150 cooperative management committee members from the 14 co-operatives, with training on key leadership competencies and best practices in governance sessions. These were delivered in short monthly sessions as structured modules as follows: Module 2-Leadership and governance, Module 3A-Introduction to cooperatives Business and enterprise, Module 3B- Financial management and record keeping.

Other sessions were also conducted during the annual general meetings held at the beginning of the year. The focus of these sessions was the importance of and how to identify good leaders.

Additionally, the leadership program prototyped and developed a training resource kit for the cooperatives. This comprised of Flip-charts with simplified sessions on co-operative principles, financial management, basic leadership and management skills, Training videos(CDs) and Training handouts on Healthcare, Education and basic financial book keeping.

The resource kit was handed over to the Co-operative Leader Representatives who are also the Trainer of Trainers (TOTs). They would use the resource kits to conduct refresher training for the co-operative members. The team also facilitated staff trainings on leadership and other prioritized topics during the year. The topics included Partnership and networking, Servant leadership, how to provide feedback, Efficient ways of team management, among others.

2.2 PUBLIC RELATIONS DEPARTMENT

The mandate of the Public Relations Department was to protect the image of the organization, ensure its visibility, identify and facilitate networking and partnership opportunities, as well as managing stakeholders and media relations. This was done by assessing public attitudes and, maintaining mutual relations and understanding between the organization and its public.

The program team worked closely with the impact programs to advocate for adoption of the diversified livelihood activities. They also employed social marketing principles to promote behaviour change and uptake of services especially in the Healthcare program.

Shortly after the planting season in February 2017, most of the farms were attacked by Fall Army Worms. This was a nationwide crisis but the smallholder farmers in the region risked losing their entire crop and this would lead to starvation. The Public relations team therefore moved swiftly to assist the farmers to deal with the situation. The team sent alerts to all the farmers in the project through the SMS platform. This was followed by dissemination of information on how to counter the attack. The farmers were mobilized to attend sessions at their respective co-operatives where information was shared on recommended pesticides and other practices that would help curtail the spread. The prompt action by the team enabled the farmers salvage their crop and experience an increase in their yield from 5-8 bags of maize per acre to an average of 16.4 bags per acre during the year.

NURU INTERNATIONAL KENYA

Report of the Board of Directors

to the Members of Nuru International Kenya.../(Contd.)

Stakeholder forums were organized every quarter to engage different partners/stakeholders through a number of forums to strengthen the organization's relationship with them. In 2017, a total of 4 stakeholder meetings were held.

2.3 MONITORING AND EVALUATION PROGRAM

Nuru Kenya's monitoring and Evaluation (M&E) team continued to monitor and evaluate the impact of Nuru's interventions. Monthly program data reports were submitted to the department for quality checks. Quarterly indicators were also tracked through the periodic reports by the impact programs.

During the reporting period, evaluation surveys were conducted for the impact programs, namely, Agriculture, Education, Healthcare and Financial Inclusion. A joint survey was administered to the sampled farmers with the exception of the Education program where the pupils were interviewed instead. There were two education surveys: Early Grade Reading Assessment (EGRA) and the beginning and end of year Uwezo survey. The surveys were carried out at the households during the school breaks. The parents of the pupils were required to be present in order to understand the progress of their children in English literacy

The Harvest Yields survey was conducted for the Agriculture program. The healthcare and financial inclusion programs surveys were combined into one simpler questionnaire that was administered to the farmers. The comparison group survey for the farmers not enrolled in the intervention took place in the two sub-locations where the co-operatives were not operating. The difference in the yields per acre was quite significant with non-Nuru farmers reporting an average of 5-8 bags per acre as compared to Nuru farmers who had an average of 16.4 bags per acre. The adoption of millet and sorghum as an indicator of diversification of the crop package improved to 70.6% from 40%.

Baseline studies for the dairy pilot were undertaken during quarter three and four. The information collected related to the number of farmers with local, improved or pure breeds, the quantity of milk produced per household, the farmers with fodder, type of fodder, availability of land for fodder establishment and those with cow-sheds among others. This helped in planning for the dairy pilot, especially in the determination of the gaps on inputs required for the project, level of knowledge and skills of dairy farming.

3.0 OTHER ORGANISATIONAL ACTIVITIES:

Nuru Kenya observed the International Day for the Eradication of Poverty event on the 17th of October. The event was held at Kehancha Primary School. Various stakeholders graced the event, among them the Kenya Plant Health Inspectorate Regional Co-coordinator, Kenya Commercial Bank, Line Ministries representatives, co-operative management committee representatives, Nuru Kenya Board and staff. The organization recognized the efforts of the co-operatives that demonstrated outstanding performance in timely inputs loan recovery, savings and shares mobilization, training attendance and teamwork in decision making and execution of work.

NURU INTERNATIONAL KENYA

Report of the Board of Directors

to the Members of Nuru International Kenya.../(Contd.)

4.0 CHALLENGES AND WAY FORWARD

Volatile political environment-there was a lot of tension during the year due to the country's general elections. Many activities were adversely affected leading to prolonged delays, postponement and incomplete work. Market linkages for sale of the farmers' produce was quite difficult due to lack of markets, transport and insecurity as a result of frequent riots. The organization worked hard to supply maize to the nearby millers and aggressively pursued external markets whenever there was some lull in the riots.

The Ministry of Health nurses and clinical officers strike affected the healthcare interventions. The referral networks became dysfunctional and some children missed out on scheduled immunization. Mothers were encouraged to take their children for vaccination to nearby private health facilities.

Limited Room for Reading the Co-operative Books: Cooperative offices did not have enough space to accommodate a huge number of learners especially for reading sessions during the school breaks. This led to nearby schools being used as reading centres for the pupils and then books would be returned to the co-operatives in the evening for safe keeping.

Poor time management: this was a challenge as cooperative members had to perform household chores prior to attending training sessions. This led to several make-ups and increased costs for the dairy, education and healthcare programs.

Lack of ownership: Some of the management committee members were not applying what they learnt in the leadership and governance sessions. They shied away from the additional responsibility of running their co-operatives. The tasks that proved challenging to them included record keeping, loan repayment and goal setting. The organization invested in continued education, exchange visits and support supervision.

INDEPENDENT AUDITORS

The auditors, KKCO East Africa, Certified Public Accountants, were appointed as the organisation auditors on 28th February 2017 and have expressed their willingness to continue in office.

Nairobi

By Order of the Board

Country Director

NURU INTERNATIONAL KENYA

Statement of Directors' Responsibilities

The NGO Act requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the organization as at the end of the financial year and of its operating results for that year. The directors are also required to ensure that the organization maintains proper accounting records, which disclose with reasonable accuracy the financial position of the organization. They are also responsible for safeguarding the assets of the organization.

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 organization as at 31st December 2017 and of its transactions for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and of the NGO Act.

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

Approved by the board of directors on _____ and signed on its behalf by:-

Chairperson

Country Director

NURU INTERNATIONAL KENYA

Report of the Independent Auditors

To the Members of Nuru International Kenya

Report of the audit of the financial statements

Opinion

We have audited the financial statements of **Nuru International Kenya**, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nuru International Kenya as at December 31, 2017 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Non-Governmental Organisations Co-ordination Act.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the financial statements section of our report. We are independent of the organization in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Kenya. 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. The other information comprises the corporate information, report of the board of directors and statistical information and other disclosures, 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.

Responsibilities of the Directors

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Non-Governmental Co-ordination Act 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.

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

NURU INTERNATIONAL KENYA

Report of the Independent Auditors

To the Members of Nuru International Kenya

Auditors' 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 auditors' 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 International Standards on Auditing 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 skepticism 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 organization'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 organization'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 organization 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.

The engagement partner responsible for the audit resulting in this independent auditors' report is CPA Elizabeth Matimu (P.2088).

Nairobi, Kenya

KKCO East Africa
Certified Public Accountants of Kenya

NURU INTERNATIONAL KENYA

Statement of Comprehensive Incomefor the year ended 31st December 2017

INCOME	Note	<u>2017</u> Kshs	<u>2016</u> Kshs
Grant income	2	109,132,175	117,378,053
Other income	3	915,330	8,132,881
		<u>110,047,505</u>	<u>125,510,935</u>
EXPENDITURE			
Agriculture program costs	4	-	848,537
Staff costs	5	67,211,334	82,590,806
Administrative expenses	6	12,127,980	47,339,359
Establishment expenses	7	3,955,899	5,205,142
Program expenses	8	48,683,493	45,545,742
Total expenditure		<u>131,978,705</u>	<u>181,529,586</u>
DEFICIT FOR THE YEAR		Kshs <u>(21,931,200)</u>	<u>(56,018,651)</u>

NURU INTERNATIONAL KENYA

Statement of Financial Positionas at 31st December 2017

ASSETS	Note	<u>2017</u> Kshs	<u>2016</u> Kshs
Non-current assets			
Property and equipment	9	<u>51,663,185</u>	<u>51,156,211</u>
Current assets			
Inventories	10	900	17,238,027
Accounts receivable	11	36,487,909	44,184,337
Cash and bank balances	12	<u>19,288,256</u>	<u>14,868,775</u>
		<u>55,777,065</u>	<u>76,291,139</u>
Current liabilities			
Payables and accruals	13	<u>14,593,818</u>	<u>9,508,722</u>
Net current assets		<u>41,183,247</u>	<u>66,782,417</u>
TOTAL ASSETS	Kshs	<u><u>92,846,432</u></u>	<u><u>117,938,628</u></u>
FUNDS			
Capital fund		51,663,185	51,156,211
NKSE fund		36,413,805	36,413,805
Unrestricted net assets		<u>4,769,442</u>	<u>30,368,612</u>
TOTAL FUNDS	Kshs	<u><u>92,846,432</u></u>	<u><u>117,938,628</u></u>

The financial statements on pages 12 to 20 were approved by the board of directors on _____ and signed on their behalf by:

Chairperson

Country Director

NURU INTERNATIONAL KENYA

Statement of Changes in Equity**as at 31st December 2017**

	Unrestricted <u>net assets</u> Kshs	Capital <u>fund</u> Kshs	NKSE <u>funds</u> Kshs	<u>Total</u> Kshs
At 1 January 2016	88,530,363	51,757,705.45	36,413,805	176,701,874
Fixed assets additions	(2,143,100)	2,143,100		-
Depreciation		(2,744,594)	-	(2,744,594.0)
Deficit for the year	<u>(56,018,651)</u>	<u>-</u>	<u>-</u>	<u>(56,018,651)</u>
AT 31 DECEMBER 2016	Kshs <u>30,368,612</u>	<u>51,156,211</u>	<u>36,413,805</u>	<u>117,938,628</u>
At 1 January 2017	30,368,612	51,156,211	36,413,805	117,938,628
Fixed assets additions	(3,667,970)	3,667,970	-	-
Depreciation	-	(3,160,996)	-	(3,160,996)
Deficit for the year	<u>(21,931,200)</u>	<u>-</u>	<u>-</u>	<u>(21,931,200)</u>
AT 31 DECEMBER 2017	Kshs <u>4,769,442</u>	<u>51,663,185</u>	<u>36,413,805</u>	<u>92,846,432</u>

NURU INTERNATIONAL KENYA

Cash Flow Statement

for the year ended 31st December 2017

CASH FLOWS (USED IN)/GENERATED FROM OPERATING ACTIVITIES	<u>2017</u> Kshs	<u>2016</u> Kshs
Deficit for the year	(21,931,200)	(56,018,651)
Changes in operating assets and liabilities		
Decrease in inventories	17,237,127	20,947,800
Decrease in receivables and prepayments	7,696,428	41,452,598
Increase in payables	<u>5,085,096</u>	<u>4,598,792</u>
Cash flows generated from operations	<u>8,087,451</u>	<u>10,980,539</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	<u>(3,667,970)</u>	<u>(2,143,100)</u>
Net cash used in investing activities	<u>(3,667,970)</u>	<u>(2,143,100)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,419,481	8,837,439
Balance at beginning of the year	<u>14,868,775</u>	<u>6,031,335</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 12)	Kshs <u>19,288,256</u>	<u>14,868,775</u>

NURU INTERNATIONAL KENYA

Notes to the Financial Statements

for the year ended 31st December 2017

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

Grants, remittances, interest on loans and other income are credited into the respective accounts upon receipt.

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 value over their estimated useful lives, using the reducing balance method. The following annual rates are used for the depreciation of property and equipment:

Land	Nil
Buildings	2.5%
Motor cycles	25%
Computers	30%
Furniture and fittings	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 disposal, the difference between the net disposal proceeds and the carrying amount of the item is recognised in the statement of comprehensive income.

1.4 Capital expenditure

The cost of additional fixed assets is expensed in the year of purchase. A capital fund is created to represent the organization's equity held in fixed assets.

1.5 Receivables

Receivables are stated at their nominal value as reduced by appropriate allowance for estimated irrecoverable amount. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts of recovery have been exhausted.

NURU INTERNATIONAL KENYA

Notes to the Financial Statementsfor the year ended 31st December 2017.../(Contd)**1.6 Payables**

Payables are recognized at fair values.

1.7 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with bank.

1.8 Translation of foreign currencies

All transactions in foreign currencies are initially recorded in Kenya Shillings using the spot rate at the date of the transaction. Foreign currency monetary items at the balance sheet date are translated using the closing rate. All exchange differences arising on settlement or translation are recognized in statement of comprehensive income.

1.9 Comparatives

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

	<u>2017</u>	<u>2016</u>
	Kshs	Kshs
2.0 PROGRAM FUNDING		
NURU International USA	109,132,175	117,378,053
	Kshs <u>109,132,175</u>	<u>117,378,053</u>
3.0 OTHER INCOME	Kshs	Kshs
Agriculture programme: maize input	-	843,450
Agriculture programme: maize harvest	-	6,253,050
Programme income	218,285	761,476
Uncategorized income	-	224,696
Other income	697,045	50,209
	Kshs <u>915,330</u>	<u>8,132,881</u>
4.0 COST OF AGRICULTURAL PROGRAMME	Kshs	Kshs
Cost of agricultural inputs	-	355,000
Cost of agricultural maize harvest	-	332,648
Cost of other program supplies	-	160,889
	Kshs <u>-</u>	<u>848,537</u>
5.0 STAFF COSTS	Kshs	Kshs
Staff salaries	66,820,678	81,898,615
Staff welfare and development	390,656	692,191
	Kshs <u>67,211,334</u>	<u>82,590,806</u>

NURU INTERNATIONAL KENYA

Notes to the Financial Statementsfor the year ended 31st December 2017.../(Contd)

	<u>2017</u>	<u>2016</u>
	Kshs	Kshs
6.0 ADMINISTRATION EXPENSES		
Bank commissions and fees	259,925	196,756
Fines and penalties	-	501,106
Board of Directors expenses	517,840	-
Insurance	638,322	82,500
Provision for bad debts write off	7,798,134	43,178,263
Contract services: accounting	-	10,000
Contract services: audit fees	727,320	727,320
Contract services: IT services	257,500	526,050
Contract services: security	327,169	1,015,593
Contract services: co-operatives audit	330,467	-
Other contractual services	226,204	-
Contract services: legal fees	18,000	112,000
Books, subscriptions and reference	77,120	730
Community welfare	86,900	366,362
Postage and mailing services	35,420	23,402
Printing and stationery	681,592	424,939
Miscellaneous expenses	131,067	132,150
Travelling: other permits	15,000	42,187
	<u>Kshs 12,127,980</u>	<u>47,339,359</u>
7.0 ESTABLISHMENT EXPENSES		
	Kshs	Kshs
Rental	1,923,772	1,733,723
Furniture and equipment repairs	1,523,880	1,277,926
Building repairs	508,247	2,193,493
	<u>Kshs 3,955,899</u>	<u>5,205,142</u>
8.0 PROGRAMME EXPENSES		
	Kshs	Kshs
Research	2,054,107	7,352,206
Community development and training	2,740,115	1,157,751
Seed capital for cooperatives (Donations)	17,315,027	-
Freight and transport	404,440	4,743,427
Marketing	623,803	183,301
Office supplies	2,925,508	2,848,430
Supplies programme	4,334,061	8,357,338
Telephone, postage and internet	3,127,179	3,185,760
Agriculture emergency	3,657,583	3,703,830
Travel: conference, conventions and meetings	1,612,275	832,701
Travel: lodging	201,230	342,705
Travel: meals	414,243	586,083
Travelling and permits	9,273,922	12,252,210
	<u>Kshs 48,683,493</u>	<u>45,545,742</u>

NURU INTERNATIONAL KENYA

Notes to the financial Statementsfor the year ended 31st December 2017**9.0 PROPERTY AND EQUIPMENT**

		<u>Land</u>	<u>Buildings</u>	<u>Motorcycles</u>	<u>Furniture & equipment</u>	<u>Computers</u>	<u>Total</u>
		<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
COST OR VALUATION							
At 1 January 2017		7,174,020	42,079,731	1,739,000	7,239,909	5,448,820	63,681,480
Additions		-	-	1,930,000	783,970	954,000	3,667,970
		<u>7,174,020</u>	<u>42,079,731</u>	<u>3,669,000</u>	<u>8,023,879</u>	<u>6,402,820</u>	<u>67,349,450</u>
DEPRECIATION							
At 1 January 2017		-	5,056,133	759,875	3,411,841	3,297,419	12,525,268
Charge for the year		-	925,590	727,281	576,505	931,620	3,160,996
		<u>-</u>	<u>5,981,723</u>	<u>1,487,156</u>	<u>3,988,346</u>	<u>4,229,039</u>	<u>15,686,265</u>
NET BOOK VALUE							
AT 31 DECEMBER 2017	Kshs	<u>7,174,020</u>	<u>36,098,007</u>	<u>2,181,844</u>	<u>4,035,533</u>	<u>2,173,781</u>	<u>51,663,185</u>
NET BOOK VALUE							
AT 31 DECEMBER 2016	Kshs	<u>7,174,020</u>	<u>37,023,597</u>	<u>979,125</u>	<u>3,828,068</u>	<u>2,151,401</u>	<u>51,156,211</u>

NURU INTERNATIONAL KENYA

Notes to the financial Statements

for the year ended 31st December 2017

	<u>2017</u>	<u>2016</u>
	Kshs	Kshs
10.0 INVENTORIES		
Maize input	-	17,238,027
Fodder seeds	900	-
	<u>Kshs 900</u>	<u>17,238,027</u>
11.0 ACCOUNTS RECEIVABLE	Kshs	Kshs
Amount due from farmers	7,798,134	5,766,242
Provision for bad debts	(7,798,134)	(791,001)
Prepaid Insurance	26,794	-
Loans due from farmers	47,310	2,795,291
Due from NKSE Ltd (i)	36,413,805	36,413,805
	<u>Kshs 36,487,909</u>	<u>44,184,337</u>
<p>(i) This relates to monies advanced to NKSE a related party entity and is refundable to Nuru International Kenya.</p>		
	<u>2017</u>	<u>2016</u>
	Kshs	Kshs
12.0 CASH AND BANK BALANCES		
Cash in hand	-	15,000
Cash at bank	19,288,256	14,853,775
	<u>Kshs 19,288,256</u>	<u>14,868,775</u>
13.0 PAYABLES AND ACCRUALS	Kshs	Kshs
Accounts payable	559,339	5,661,330
Payroll liabilities	1,120,916	2,299,456
Kapesa savings	(716,667)	295,864
Nuru Agrovet	12,902,910	-
CED clearing	-	3,230
Cash for Coops	-	237,505
Audit fees	727,320	634,520
Farmers aggregation payments	-	291,658
Coops Margins	-	85,158
	<u>Kshs 14,593,818</u>	<u>9,508,722</u>

14.0 REGISTRATION

Nuru International Kenya was registered on 31st March 2011, under The Non-Governmental Organizations Co-ordinations (NGO) Act.

15.0 TAXATION

No provision for corporate taxation has been made in these financial statements. The organisation qualifies for exemption from Kenyan corporate tax under the provisions of Paragraph 10 of the First Schedule of Income Tax Act, Cap 470 (Laws of Kenya). Further, grants and donations are not subject to taxation in Kenya.

16.0 CURRENCY

These financial statements are presented in Kenya Shillings (Kshs).