MALINDI ISLAMIC CENTRE FOR ORPHANS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2016

Said Abeid Said & Co.
Certified Public Accountants
P.O Box 82667 - 80200
Ruby Plaza
Malindi
Tel : 0731 071982
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COMPANY INFORMATION

Board of Trustees

Registered Office

Plot No.12072 CR 53083
P.o Box 5971- 80200
Malindi
Kenya

Bankers

Gulf Africa Bank
Malindi Branch

Habib Bank Limited
Malindi Branch

First Community Bank
Malindi Branch

Auditors

Said Abeid Said & Co
Certified Public Accountants
Ruby - Plaza
Vasco Da Gama Road
P.o Box 690- 80200
Malindi
Kenya

The trustees submit their report together with the audited financial statements for the year ended 31st December 2016, which disclose the state of affairs of the organization.

Incorporation

The organisation is registered in Kenya, and is domiciled in Kenya. The address of the registered office is as set out on page 1.

Principal activities

The principal activity is to provide Education, Food ,Uniform, Medical facilities to Orphaned children to lead a normal life.

Results and dividends

The net deficit of Ksh 321, 290 (2015: (264,363)) has been added to accumulated funds.

Auditors

During the year, Said Abeid Said & Co. were appointed as the organization auditors and have expressed their willingness to continue in office in accordance with the Kenya Trustee Act Cap 167.

By order of the Board

Chairman **Vice Chairman**

The Trustees 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 Tustees accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards for SME's and the requirements of the kenyans company's Act.The directors are of the opinion that the financial affairs of the company as at 31st December 2016 and of its operating results for the year then ended. The trustees further accept responsibility for the maintenance of accounting records which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls.

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

Approved by board of directors on ………………………………..and signed on its behaif by:-

Chairman **Vice Chairman**

REPORT OF THE INDEPENDENT AUDITORS
To the Trustees of Malindi Islamic Centre For Orphans

Report on the Financial Statements

We have audited the accompanying financial statements of Malindi Islamic Centre for Orphans, set out on pages 5 to 10 which comprise the Financial statement as at 31st December 2016 and the Comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Trustees Responsibility for the financial statements

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Kenya Trustee Act. 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.

Auditor's Responsibility

Our responsibility is to express an independent opinion of these 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 the audit to obtain reasonable assurance whether 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 depended on our professional 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, we considered the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustees, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the Company as at 31st December 2016 and of its financial performance and cash flows for the year then ended.

Report on Other Legal Requirements

As required by law we report to you, based on our audit, that:

i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) In our opinion, proper books of accounts have been kept by the company, so far as appears from our examination of those books; and

iii) The companyl's financial position and income and statement account are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditors report was **CPA Said Abeid Said** practising certificate **No. 1587**

8/11/2017

Said Abeid Said & Co
Certified Public Accountants
Malindi

CONSOLIDATED INCOME STATEMENTS

	Appendix	2016 Shs	2015 Shs
INCOME			
Malindi Islamic Centre For Orphans	I	5,634,969	6,258,607
Malindi Orphans Academy	I	4,365,115	4,652,313
Gross surplus		10,000,084	10,910,920
EXPENSES			
Employments Costs	I	(4,921,731)	(4,734,819)
Administrative expenses	I	(1,666,670)	(1,541,642)
Programme costs	I	(3,853,513)	(4,898,822)
Net (deficit) for the year		(441,830)	(264,363)

CONSOLIDATED FINANCIAL POSITION

	Note	2016 Shs	2015 Shs
CAPITAL EMPLOYED			
Accumulated fund		8,335,818	8,335,818
Retained surplus		48,797,265	49,239,095
		57,133,083	57,574,913
REPRESENTED BY			
Non current assets			
Property & equipment	2	55,271,907	55,603,174
		55,271,907	55,603,174
Current assets			
Cash in hand & Bank	5	1,773,416	2,021,739
		1,773,416	2,021,739
Current liabilities			
Other payables	4	50,000	50,000
		50,000	50,000
Net current assets		1,723,416	1,971,739
Total assets		56,995,323	57,574,914

The financial statements on pages 5 to 10 were approved for issue by the board of Trustees on 10/08/2017 and were signed on its behalf by:

Chairman

Vice Chairman

STATEMENT OF CHANGES IN EQUITY

	Accumulated funds Shs.	Surplus/ (deficit) Shs	Total Shs
At 1st January 2015	8,335,818	49,503,458	57,839,276
Deficit for the year	-	(264,363)	(264,363)
As at 31st December 2015	8,335,818	49,239,095	57,574,913
At 1st January 2016	8,335,818	49,239,095	57,574,913
Deficit for the year	-	(441,830)	(441,830)
As at 31st December 2016	8,335,818	48,797,265	57,133,083

NOTES

1.

The significant accounting policies adopted in the preparation of these general purpose financial statements are set out below:

a) Basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards for SME's (IFRS for SME's). They are presented in Kenya Shillings (Shs), which is also the functional currency (see (b) below).The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

The financial statements comprise a profit and loss account (income statement), statement of comprehensive income, balance sheet (statement of financial position), statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit and loss account. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expense (including reclassification adjustments) that are not recognised in the profit and loss account as required or permitted by IFRS for SME's . Reclassification adjustments are amounts reclassified to the profit and loss account in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the company in their capacity as owners are recognised in the statement of changes in equity.

The preparation of financial statements in conformity with International Financial Reporting Standards for SME's requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the accounting policies adopted by the company. Although such estimates and assumptions are based on the trustees' best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year.

b) Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the company operates), which is Kenya Shillings.

Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in the profit and loss account in the year in which they arise, except for differences arising on translation of non-monetary available-for-sale financial assets, which are recognised in other comprehensive income.

c) Revenue recognition

Revenue represents the fair value of consideration received or receivable for the sale of goods and services in the course of the organisation's activities. It is recognised when it is probable that future economic benefits will flow to the school and the amount of revenue can be measured reliably.

Sale of goods are recognised upon the delivery of the product and customer acceptance, while sale of services are recognised upon performance of the services and customer acceptance based on the proportion of actual service rendered to the total services to be provided.

Interst income is recognised on a time proportion basis using the effective interest method.

d) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings under current liabilities.

e) Provision for liabilities and charges

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

NOTES (CONTINUED)

Financial instruments

Financial assets

All financial assets are recognised initially using the trade date accounting which is the date the company commits itself to the purchase or sale and are recorded at the fair value of the consideration given plus the transaction cost.

Subsequently, loans and receivables are carried at amortised cost using the effective interest method.

Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

f) Post-employment benefit obligations

Defined contribution

The companyand its employees also contribute to the National Social Security Fund (NSSF),and national Hospital Insuaraance (NHIF) are national defined contribution schemes. Contributions are determined by local statutes and the company's contributions are charged to the profit and loss account in the year to which they relate.

g) Short term employee benefits

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an employment cost accrual.

h) Property, plant and equipment

All categories of property, plant and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment. All other items of property, plant and equipment are subsequently carried at cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the school and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit and loss account in the year in which they are incurred.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the profit and loss account. Annually, the difference between depreciation charge based on the revalued carrying amount of the asset charged to the profit and loss account and depreciation based on the asset's original cost is transferred from the revaluation surplus reserve to retained earnings.

Depreciation is calculated using the straight line method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life using the following annual rates:

	Rate - %
Land & building	0%
Furniture & equipment	12.5%
Computer equipment	30%
Kitchen equipments	12.5%

As no parts of items of property, plant and equipment have a cost that is significant in relation to the total cost of the item, the same rate of depreciation is applied to the whole item.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

NOTES

2 Property and equipment

	Land & Building Shs	Furniture & fittings Shs	Computers Shs	Equipment Shs	Total Shs
At Cost					
At 01.01.2016	54,000,000	555,740	245,860	1,300,481	56,102,081
Additions	-	-	-	-	-
At 31.12.2016	54,000,000	555,740	245,860	1,300,481	56,102,081
Accum depreciation					
At 01.01.2016	-	229,976	186,829	219,862	636,667
Charge for the year	-	40,721	17,709	135,077	193,507
At 31.12.2016	-	270,696	204,538	354,939	830,174
Net Book Value					
At 31.12.2016	54,000,000	285,044	41,322	945,542	55,271,907
At 01.01.2016	54,000,000	325,764	59,031	1,080,619	55,465,414

	2016 Shs	2015 Shs
3 Operating deficit	(441,830)	(264,363)
The following items have been charged in arriving at operating profit:		
Depreciation	193,507	88,451
Auditors fees	50,000	50,000
4 Trade & other payables		
Other payables	50,000	50,000
	50,000	50,000
5 Cash and cash equivalents		
For the purpose of the cash flow statement, cash and cash equivalents comprise the following:		
Cash in hand & bank	1,773,416	2,021,739
	1,773,416	2,021,739

6 Currency

The financial statements are presented in Kenya Shillings (Shs).

MALINDI ISLAMIC CENTRE FOR ORPHANS
Financial Statement
FOR THE YEAR ENDED 31ST DECEMBER 2016

CONSOLIDATED COMREHENSIVE INCOME STATEMENT-SUMMARY

	2016	2015
INCOME	**Shs**	**Shs**
Malindi Islamic Centre for Orphans	5,634,969	6,258,607
Malindi Orphans Academy	4,365,115	4,652,313
	10,000,084	10,910,920
EXPENSES		
Employment costs	4,921,731	4,734,819
Administrative expenses	1,666,670	1,541,642
Programme costs	3,853,513	4,898,822
	10,441,914	11,175,283
Net (deficit) for the year	(441,830)	(264,363)

Appendix I

MALINDI ISLAMIC CENTRE FOR ORPHANS
Schedule of operating income and expenditure
FOR THE YEAR ENDED 31ST DECEMBER 2016

	MALINDI ISLAMIC CENTRE FOR ORPHANS	**2016 Shs**	**2015 Shs**
1	**INCOME**		
	Annual fund raising	5,582,169	5,671,597
	Malindi orphans aced	-	528,210
	House rent	44,000	48,000
	Interest	8,800	10,800
		5,634,969	6,258,607
2	**EMPLOYMENT EXPENSES**		
	Salaries & Wages	899,170	749,063
		899,170	749,063
3	**ADMINISTRATIVE EXPENSES**		
	Printing & stationery	264,424	184,429
	Postage & telecomunication	37,050	5,850
	Depreciation	193,507	88,451
	Security	-	84,500
	Bank charges	11,316	24,956
	Cleaning & Hygiene	-	7,400
	Light & Water	104,231	
	Repairs & maitenance	59,660	123,153
	Advertisement & promotion	-	53,457
	Travelling & meetings	142,155	31,309
	Audit fees	50,000	50,000
	License	-	3,680
	Medical expense	34,190	17,320
	Examinations	35,800	109,536
	Rent and rates	192,460	6,960
	Miscellaneous expense	199,323	26,225
		1,324,116	875,085
4	**PROGRAMME EXPENSES**		
	Bursary	3,595,277	4,222,418
	Meals & Refreshment	258,236	676,404
		3,853,513	4,898,822

MALINDI ISLAMIC CENTRE FOR ORPHANS
Schedule of operating income and expenditure
FOR THE YEAR ENDED 31ST DECEMBER 2016
SCHEDULE OF OPERATING INCOME AND EXPENDITURE

MALINDI ORPHANS ACADEMY

		2016	2015
1	**INCOME**	**Shs**	**Shs**
	Fees collection	1,407,850	1,955,100
	MICO	2,825,765	2,697,213
	Donation	131,500	-
		4,365,115	4,652,313
2	**EMPLOYMENT EXPENSES**		
	Salaries & wages	4,022,561	3,985,756
		4,022,561	3,985,756
3	**Administrative expenses**		
	Transport expenses	9,390	100,799
	Repairs & maintenance	38,224	123,153
	Bank charges	24,075	24,555
	Water and Electricity	121,791	108,060
	Printing and stationery	68,840	105,212
	Examinations and registration fees	73,124	104,493
	Communication	7,110	4,299
	Cleaning	-	3,769
	Miscellaneous expense	-	92,217
		342,554	666,557