

CATHOLIC DIOCESE OF KITUI

DEVELOPMENT OFFICE — MAIN ACCOUNT

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2013

**CATHOLIC DIOCES OF KITUI
DEVELOPMENT OFFICE – MAIN ACCOUNT
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2013**

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**CATHOLIC DIOCESE OF KITUI
DEVELOPMENT OFFICE — MAIN ACCOUNT
CORPORATE INFORMATION
31 DECEMBER 2013**

MANAGEMENT BOARD MEMBERS

1. Rt. Rev. Anthony Muheria — Bishop,
Catholic Diocese of Kitui
2. Rev. Fr. John Mwandia — Financial
Administrator, Catholic Diocese of Kitui
3. Anthony Mbandi — Development
Coordinator, Catholic Diocese of Kitui
4. Rev. Fr. Joseph Mwangela
5. Rev. Fr. Francis Ngungu
6. Mr. William Maema
7. Nicholas Mulila
8. Mr. Joseph Kimuli Ndulu
9. Dr. Naomi Mawia Mangatu
10. Mr. Francis Kamau
11. Dr. Joseph Nzomoi
12. Mr. Kiema Mwandia

PRINCIPAL PLACE OF BUSINESS & OPERATION

Development Office Headquarters
The Catholic Diocese of Kitui
Kitui Municipality
P O Box 300 - 90200
Kitui

AUDITORS

Mulila & Associates
Certified Public Accountants
P O Box 61924 - 00200
Nairobi

BANKERS

National Bank Ltd
Kitui Branch
P. O. Box 166 - 90200
Kitui — Kenya.

Kenya Commercial Bank Ltd
Kipande House Branch
P.O. Box 30012 — 00100
Nairobi

**CATHOLIC DIOCESE OF KITUI
DEVELOPMENT OFFICE – MAIN ACCOUNT
CORPORATE INFORMATION
31 DECEMBER 2013**

The Management Board present their report and the audited financial statements for the year ended 31 December 2013

1 LEGAL STATUS

The Development Office is an arm of the Catholic Diocese of Kitui that is mandated with the objective of sourcing for funds for the projects of Diocese in Kitui County. The Diocese of Kitui is registered under Trusteeship Law.

2 PRINCIPAL ACTIVITY

The principal activity of the Development office is sourcing funds, implementing and monitoring the projects of the Diocese of Kitui. The Catholic Diocese of Kitui is the principal organisation under which all projects operate. All correspondence and documentation as well as the bank accounts are in the name of the Diocese which acts as the umbrella and oversight body.

The Development Office is also working directly with the World Food Programme (WFP) and Food and Agriculture Organization of the United Nations for the purpose of enhancing food security to marginalised communities.

3 OPERATING RESULTS

The results of operation are shown on page 6.

4 BOARD OF MANAGEMENT

The Members of the Board of Management who served during the year are shown on page 2.

5 AUDITORS

The auditors Mulila & Associates, Certified Public Accountants of Kenya, have expressed their willingness to continue in office.

BY ORDER OF THE BOARD

.....
SECRETARY

..... K.S.G. 2014

**CATHOLIC DIOCESE OF KITUI
DEVELOPMENT OFFICE — MAIN ACCOUNT**

STATEMENT OF BOARD OF MANAGEMENTS' RESPONSIBILITIES

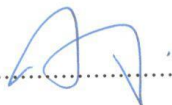
The Trustees Act requires the Board of Management to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the organization or project as at the end of financial year and of its surplus or deficit. It also requires the Board of Management to ensure that the organization keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the organisation or project. They are also responsible for safeguarding the assets of the organisation or project.

The Board of Management accept responsibility for the financial statements for the project period, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Trustees Act. The Board of Management are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the project and of its surplus or deficit. The Board of Management further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Board of Management to indicate that the Development Office — Main Account will not remain a going concern for at least the next twelve months from the date of this statement.



..... **FINANCIAL ADMINISTRATOR**



..... **DEVELOPMENT COORDINATOR**



..... **2014**

M&A
Mulila & Associates
Certified Public Accountants

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF MANAGEMENT BOARD OF DEVELOPMENT OFFICE**

We have audited the accompanying financial statements of Development Office-Main Account of the Catholic Diocese of Kitui set out on pages 6 to 24 which comprise the statement of financial position as at December 31, 2013, the statement of comprehensive income, statement of changes in fund balances, and statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

THE BOARDS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board of Management are responsible for the preparation of financial statements that give true and fair view in accordance with International Financial Reporting Standards and the requirements of the Trustees Act and for such internal controls as the board of management determine are necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an independent opinion on 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 of 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 project's 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 project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we 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 project as at December 31, 2013 and of its surplus or deficit and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal Requirements

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 account have been kept by the organization, so far as appears from our examination of those books; and
- iii. The organization's statement of financial position and statement of income and expenditure are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Anthony Mulila P/ No.1897

Anthony Mulila
Mulila & Associates
Certified Public Accountant of Kenya
Nairobi, Kenya
Thursday September 18, 2014

**CATHOLIC DIOCESE OF KITUI
DEVELOPMENT OFFICE - MAIN ACCOUNT
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 Kshs	2012 Kshs
Revenue			
Grants & Interest	21.	55,014,365	91,501,104
Direct Expenses	21.	4,718,455	21,217,749
Staff Costs	21.	33,253,706	30,952,703
Depreciation	5.	1,305,343	1,206,809
Administrative Expenses	21.	16,332,271	21,531,503
Finance Costs	21.	90,792	357,411
Total Expense		<u>55,700,566</u>	<u>75,266,175</u>
Surplus funds for the year		<u>(686,201)</u>	<u>16,234,929</u>


**DEVELOPMENT OFFICE - MAIN ACCOUNT
STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2013**

ASSETS	Note	2013 KShs	2012 KShs
Non-current Assets			
Property, Plant and Equipment	5.	18,495,144	18,010,882
Current Assets			
Trade and Other Receivables	6	17,258,501	14,024,439
Cash and Cash Equivalent	7	18,565,158	20,213,766
		35,823,659	34,238,205
Total Assets		54,318,803	52,249,087
RESERVES AND LIABILITIES			
Funds and Reserves			
Accumulated Funds	Page 8	35,271,081	36,177,282
Project Funds	8	14,860,556	7,412,679
		50,131,637	43,589,961
Current Liabilities			
Fixed Deposits - Women Groups	9	2,594,728	2,154,728
Trade and Other Payables	11	1,592,438	6,504,398
		4,187,166	8,659,126
Total Funds, Reserves and Liabilities		54,318,803	52,249,087

The financial statements on pages 6 to 25 were
authorised for issue by the Board of Management

25/8/14 

Financial Administrator

29/9/14 

Development Coordinator

**CATHOLIC DIOCESE OF KITUI
DEVELOPMENT OFFICE - MAIN ACCOUNT
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013**

		Accumulated Fund Kshs	Total Kshs
Year Ended 31 December 2013	Notes		
As at 1 January 2013		36,177,282	36,177,282
Prior Year Adjustment	15	(220,000)	(220,000)
Surplus for the Year	21	<u>(686,201)</u>	<u>(686,201)</u>
As at 31 December 2013		<u>35,271,081</u>	<u>35,271,081</u>
 Year Ended 31 December 2012			
As at 1 January 2012		18,320,276	18,320,276
Prior Year Adjustment		1,622,077	1,622,077
Surplus for the Year	21	<u>16,234,929</u>	<u>16,234,929</u>
As at 31 December 2012		<u>36,177,282</u>	<u>36,177,282</u>

**CATHOLIC DIOCESE OF KITUI
DEVELOPMENT OFFICE - MAIN ACCOUNT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 Kshs	2012 Kshs
Cash generated from Operations			
Surplus/(Deficit) for the year	21	(686,201)	16,234,929
Adjustments for:			
Prior Year Adjustment		(220,000)	1,622,077
Depreciation on property, plant and equipment	5.	<u>1,305,343</u>	<u>1,206,809</u>
Operating surplus before working capital changes		399,141	19,063,815
(Increase) in Trade and Other Receivables		(3,234,063)	435,789
Increase/(Decrease) in Trade and other payables		(4,911,960)	5,659,270
(Decrease)/Increase in Project Funds		7,447,879	(52,030,366)
Decrease in Women Groups Deposits		<u>440,000</u>	<u>56,692</u>
Cash generated from operating activities		<u>140,997</u>	<u>(26,814,799)</u>
Net cash generated from operating activities		<u>140,997</u>	<u>(26,814,799)</u>
Investing Activities			
Purchase of property, plant and equipment	5.	<u>(1,789,605)</u>	<u>(15,301,841)</u>
Net increase in cash and cash equivalents		(1,648,608)	(42,116,641)
Cash and cash equivalents at 1st January 2013		<u>20,213,766</u>	<u>62,330,407</u>
Cash and cash equivalents at 31st December 2013	7	<u><u>18,565,158</u></u>	<u><u>20,213,766</u></u>

**CATHOLIC DIOCESE OF KITUI
DEVELOPMENT OFFICE - MAIN ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

1. Accounting policies

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

a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRSs). The financial statements are prepared under the historical cost basis of accounting as modified by the revaluation of property, and presented in the functional currency, Kenya Shillings (Shs) rounded to the nearest shilling.

The preparation of financial statements in conformity with International Financial Reporting Standards 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 organisation. These areas involve a higher degree of judgement and complexity, or where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

Adoption of new and revised standards

The organisation has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (the IABS) that are relevant to its operations and effective for annual reporting periods for the year ended 31st December 2013.

The following amendments to standards and interpretations will be mandatory for the accounting periods beginning on or after 31 December 2013, but which the organisation has not adopted, and is reviewing their relevance to its operations.

	Effective for annual periods beginning on or
• IFRS 10 Consolidated Financial Statements -	1 January 2013
• IFRS 12, Disclosure of Interests in other Entities	1 January 2013
• IFRS 13, Fair Value Measurement	1 January 2013
• IAS 19, Employee benefits (as revised in 2011)	1 January 2013
• IAS 27, Separate Financial Statements	1 January 2013
• IAS 36, Impairment of Assets	1 January 2014
• IFRS 9, Financial Instruments	1 January 2015

The board anticipates that the adoption of these revisions in the future periods will have no material financial impact on the financial statements of the entity.

b) Revenue recognition

The Revenue is recognised to the extent that it is probable that the economic benefits will flow to the organisation and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognized.

i) Sales

Sales are recognised as income on the accrual basis

ii) Donations and miscellaneous income

miscellaneous income is nominated for a specific accounting period in which case it is credited to income in that period.

iii) All other income is recognised on a receipt basis.

**CATHOLIC DIOCESE OF KITUI
DEVELOPMENT OFFICE - MAIN ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

c) Donated services

Donated services are valued at the estimated cost that the organisation would incur to have the services performed and are accounted for when the services are rendered.

d) Property, plant and equipment & depreciation

Property, plant and equipment are stated at cost or valuation 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 organisation and the cost of the item can be measured reliably. Repairs and maintenance is charged to the income and expenditure in the year to which it relates.

Increases in the carrying amount arising from revaluation are credited to the revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve. All other decreases are charged to the income and expenditure account. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the income and expenditure account) and the depreciation based on the asset's original cost transferred from the revaluation reserve to the general fund.

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

	Rate - %
Buildings	2.00
Motor vehicles	25.00
Furniture & fittings	12.50
Equipment	12.50
Computers, Cameras & Copiers	33.30

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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 reserve relating to the asset are transferred to the general fund.

If any such indications exist and where the carrying values exceed the recoverable amount, property, plant and equipment are written down to their recoverable amounts.

Property, plant and equipment purchased on hire purchase agreements and finance lease arrangements are capitalised at the date of agreement. The interest element of each instalment is charged to the income and expenditure account at the time each instalment falls due.

Capital work in progress is stated at cost.

CATHOLIC DIOCESE OF KITUI
DEVELOPMENT OFFICE - MAIN ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

e) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

f) Translation of foreign currencies

Assets and liabilities expressed in foreign currencies are translated into Kenya Shillings using the exchange rate prevailing at the balance sheet date. Transactions during the year are translated at the rates of exchange ruling on the dates of transaction. The resulting gains and losses are dealt with in the income and expenditure account.

g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises the costs of purchase and other costs incurred in bringing the products to their present location and condition. Costs is determined using weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Provision is made for obsolete, slow moving and defective inventories.

h) Employee benefits

i) Pensions obligations

The Development Office contributes to statutory defined contribution pension scheme, The National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to Kshs 200 per employee per month, with the Development Office contributing a similar amount.

The Development Office contribution to the above schemes are charged to the income and expenditure account in the year in which the relate.

ii) Terminal benefits

Terminal benefits are payable when employment is terminated before normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Development Office recognizes these benefits when either, it is committed to either terminating the employment of current employees according to a detailed plan without possibility of withdrawal or, providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the balance sheet date are discounted to present value.

i) Employee entitlements

Employees entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated monetary liability for annual leave at the balance sheet date and recognised as an expense accrual.

j) Financial instruments

Financial instruments carried on the balance sheet date include cash in hand, cash at bank and short term deposits, trade and other receivables, trade and other payables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

k) Trade and other payables

Trade payables are stated at their nominal values

DEVELOPMENT OFFICE - MAIN ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

m) Trade and other receivables

Trade receivables are recognised at the original invoice amounts less allowance for any doubtful amounts. Specific provision is made for all known doubtful debts.

n) Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash in hand, cash in the bank and short term bank deposits.

For the purposes of the Cash flow statements, the year end cash and cash equivalents comprise cash and cash equivalents as defined above.

o) Borrowing Costs

Related costs of borrowing to finance projects are capitalized. These borrowing costs comprise interest and commitment fees.

p) Related parties

In the normal course of business the Development Office has entered into transactions with related parties. The related party transactions are at arms length.

q) Contingent Liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or where the transfer of economic benefits is uncertain or cannot be reliably measured. Contingent liabilities are not recognised in the accounts but are disclosed by way of a note unless the likely hood of a liability arising is assessed as remote.

r) Provisions

A provision is recognised in the balance sheet when there is a present legal or constructive obligation as a result of past event and it is more likely than not that an outflow of economic benefits will be required to settle the obligation and it can be reliably estimated.

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

i) Critical accounting estimates and assumptions

Property, plant and equipment

Critical estimates are required in determining the depreciation rates for property, plant and equipment. The management determines these rates of depreciation based on their assessment of the useful lives of the various items of property, plant and equipment. These rates are set out in policy 1 (d)

ii) Critical judgements in applying the entity's accounting policies. In the process of applying the organisation's accounting policies, management has made judgements in determining:

- The classification of financial assets and leases
- Whether assets are impaired

3. Comparatives

Comparative figures have been included.

4. Employees

The average number of employees during the year was 54, excluding volunteers.

CATHOLIC DIOCESE OF KITUI
DEVELOPMENT OFFICE - MAIN ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

5. PROPERTY, PLANT AND EQUIPMENT SCHEDULE
(a) PROPERTY PLANT AND EQUIPMENT SCHEDULE 2013

	Land 0.0% Kshs	Buildings 2.0% Kshs	Motor Vehicles 25.0% Kshs	Equipment 12.5% Kshs	Furniture & Fittings 12.5% Kshs	Totals Kshs
COST						
As at 1 January 2013	5,447,004.95	8,124,655	2,839,600	48,800	2,626,531	19,227,841
Additions - Refund - Kitui Police	141,250	1,192,072	-	113,046	484,488	1,789,605
As at 31 December 2013	5,588,255	9,316,727	2,839,600	161,846	3,111,019	21,017,446
	5,447,004.25					
DEPRECIATION						
As at 1 January 2013	-	162,493	709,900	6,100	338,466	1,216,959
Charge for the year	-	186,335	709,900	20,231	388,877	1,305,343
As at 31 December 2013	-	348,828	1,419,800	26,331	727,344	2,522,302
NET BOOK VALUE						
As at 31 December 2013	5,588,255	8,967,899	1,419,800	135,515	2,383,675	18,495,144
As at 31 December 2012	5,588,255	7,962,162	2,129,700	42,700	2,288,065	18,010,882

CATHOLIC DIOCESE OF KITUI
DEVELOPMENT OFFICE - MAIN ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

5. PROPERTY, PLANT AND EQUIPMENT SCHEDULE
(b) PROPERTY PLANT AND EQUIPMENT SCHEDULE 2012

	Land 0.0% Kshs	Buildings 2.5% Kshs	Motor Vehicles 25.0% Kshs	Equipment 12.5% Kshs	Furniture & Fittings 12.5% Kshs	Totals Kshs
COST						
As at 1 January 2012	3,844,800	-	-	-	81,200	3,926,000
Additions	1,743,455	8,124,655	2,839,600	48,800	2,545,331	15,301,841
As at 31 December 2012	5,588,255	8,124,655	2,839,600	48,800	2,626,531	19,227,841
DEPRECIATION						
As at 1 January 2012	-	-	-	-	10,150	10,150
Charge for the year	-	162,493	709,900	6,100	328,316	1,206,809
As at 31 December 2012	-	162,493	709,900	6,100	338,466	1,216,959
NET BOOK VALUE						
As at 31 December 2012	5,588,255	7,962,162	2,129,700	42,700	2,288,065	18,010,882
As at 31 December 2011	3,844,800	-	-	-	71,050	3,915,850

CATHOLIC DIOCESE OF KITUI
DEVELOPMENT OFFICE - MAIN ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	Kshs	Kshs
6. TRADE & OTHER RECEIVABLES		
Goats & Sheep Project	2,469,178	2,469,178
Water Bowzer	198,110	201,860
Justice Peace Trocaire - HRP	1,477,865	1,192,587
Provident Fund	1,572,840	149,222
Imprest	705,082	686,443
Food & Agriculture Organisation - Imprest	147,700	147,700
Finance Office	4,023,751	4,023,751
Thome Bookshop	250,000	250,000
Kitui Polytechnic	12,400	12,400
General Debtors	3,561,857	1,305,609
Provident Fund Recovery	81,318	494,336
Imprest - Emop	1,465,380	1,782,950
Trocaire - HRP	200,085	216,755
Accruals - Interest Receivable Kitui Ginnery	55,000	55,000
Bajaber	337,936	336,649
FRB Account	700,000	700,000
	<u>17,258,501</u>	<u>14,024,439</u>
7. CASH & BANK EQUIVALENT		
National Bank - Community Education	389,353	2,709,428
Kenya Commercial Bank - Kipande House	11,303,618	12,173,798
Fixed Deposits - Kitui Gineries	2,000,000	2,000,000
D.O.K. - Livelihood Programme	171,778	24,646
D.O.K. - Development Planning	18,994	363,945
D.O.K. - Trocaire HRP	1,575,333	1,811,115
Water Development Account	3,106,082	1,130,833
	<u>18,565,158</u>	<u>20,213,766</u>

**CATHOLIC DIOCESE OF KITUI
DEVELOPMENT OFFICE - MAIN ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 Kshs	2012 Kshs
8. PROJECT FUNDS			
Staff House Fund		-	172,268
Kitui Lenten Fund		-	50,526
Women Co-operative Fund		890,662	890,662
Kitui Maps Recovery Project		-	347,514
Trocaire Justice & Peace	26	1,323,815	1,880,744
Water Development	23	2,755,518	1,237,402
Food & Agriculture Organisation	22	(65,999)	(65,999)
Livelihood Programme	25	330,965	242,093
Kamba - Endau Conflict		11,196	-
Caritas Germany Emergency Project	24	7,289,308	268,225
Other Project Fund Balances	10	2,325,092	2,389,243
		<u>14,860,556</u>	<u>7,412,679</u>
9. Fixed Deposits - Women Groups			
Interest Accrued		440,000.00	
Mutune		225,798	225,798
Boma		200,000	200,000
Muthale		132,517	132,517
Mwingi		166,611	166,611
Miambani		200,000	200,000
Migwani		153,985	153,985
Zombe		(1,000)	(1,000)
Nguni		45,469	45,469
Kanyangi		184,132	184,132
Ikanga		174,579	174,579
Kavisuni		102,835	102,835
Mutito		169,803	169,803
Kabati		200,000	200,000
Nguutani		200,000	200,000
		<u>2,594,728</u>	<u>2,154,728</u>

CATHOLIC DIOCESE OF KITUI
DEVELOPMENT OFFICE - MAIN ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

	2012 Kshs	2012 Kshs
10. Other Project Funds		
Non Food Item	112,765	59,493
Jesuit Relief	-	241,732
Green Africa	-	27,967
KCS - Mission	247,380	247,380
AIDS Programme	59,497	5,800
Accountability CAFOD	(120,000)	390,500
Faoke	1,602,735	1,744,410
D.O.K. - Kitui - PRRO	507,235	-
Post Harvest Management	-	80,146
Emop - Kitui	-	(333,165)
Livelihood Energy Saving	-	4,628
Emergency Supplimentary Feeding	-	4,872
Catholic Women Association	(84,520)	(84,520)
	<u>2,325,092</u>	<u>2,389,243</u>
11. TRADE & OTHER PAYABLES		
Audit Fees - Mulila & Associates	299,319	247,782
Provident Fund Recovery	71,803	-
Sundry Creditors	-	12,000
General Creditors	1,011,437	6,034,736
Staff Gratuity	209,880	209,880
	<u>1,592,438</u>	<u>6,504,397</u>

12. FUNDS RISK MANAGEMENT

The Development Office manages its funds to ensure that it will be able to continue as a going concern while maintaining optimum balance of debt equity. The Development Office's overall strategy remains unchanged.

The fund structure of the Development Office consists of cash and cash equivalents and funds comprising of accumulated revenue reserves and surplus for the year.

13. Risk Management Objectives and Policies

The organisation's activities expose it to variety of financial risk: market risk including (interest rate risk and price risk), credit risk and liquidity risk. The organisation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Price risk

The organisation is exposed to commodity price risk.

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Credit Risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to partners/ clients, including outstanding receivables.

If clients (or consumers of the materials/services), are independently rated, these rating are used. Otherwise, if there is no independent rating, the management assesses the credit qualities of these clients, taking into account their financial position, past experience and other factors.

Individual limits are based on internal or external information in accordance with limits set by the management. The utilization of credit limits is regularly monitored.

None of the financial assets that are fully performing has been negotiated in the last year, however market rates were applied. Exposure to risk has been quantified in each financial asset in the financial statements along with any concentration of risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through adequate amount committed credit facilities and ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Management Office's management maintains flexibility in funding by maintaining under committed credit lines.

14. Currency risk

The Management Office operates wholly within Kenya and its assets and liabilities are reported in the local currency.

15. Prior Year Adjustment

This was adjusting interest from Cotton Ginnery Deposit previously treated as income but attributable to the Women Groups.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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	2013	2012
	Kshs	Kshs
16. TELEPHONE, FAXES, E-MAIL & POSTAGE		
Telephone	525,300 ✓	367,622
Faxes	6,421 ✓	4,774
E-mail	361,530 ✓	414,750
Postage	26,402	29,800
	<u>919,653</u>	<u>816,946</u>
17. PROFESSIONAL FEES		
Audit Fees 2011	-	150,000
Provision for Audit Fees 2013/12	277,119	247,782
Accountancy	-	1,131,250
Consultancy Fees	-	46,598
	<u>277,119</u>	<u>1,575,630</u>
18. WORKSHOP EXPENSES		
Meals & Accommodation	2,106,229	3,057,981
Evaluation	-	176,000
Transport	2,271,756 ✓	15,880,346
	<u>4,377,985</u>	<u>19,114,327</u>
19. PROJECT EXPENSES		
Loading & Off-loading	340,470	2,090,562
Seeds Purchase	-	12,860
	<u>340,470</u>	<u>2,103,422</u>
20. MOTOR VEHICLE RUNNING EXPENSES		
Fuel	4,473,455	5,138,367
Repairs & Maintenance	3,001,172 ✓	4,369,342
Insurance & Licences	490,049 ✓	402,029
Vehicle Hire	727,733 ✓	703,078
	<u>8,692,409</u>	<u>10,612,816</u>

**DEVELOPMENT OFFICE - MAIN ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

21. DETAILED PROFIT AND LOSS ACCOUNT

	Notes	2013 Kshs	2012 Kshs
REVENUE			
World Food Programme		33,386,549	69,210,637
Operating Grants		21,445,840	21,776,363
Interests		181,976	514,104
		<u>55,014,365</u>	<u>91,501,104</u>
Direct Expenses			
Workshop Expenses	18.	4,377,985	19,114,327
Projects Expense	19.	340,470	2,103,422
		<u>4,718,455</u>	<u>21,217,749</u>
Staff Costs			
Salaries & Wages		32,417,257	30,689,643
Staff Expenses		713,171	88,500
Staff Training		123,278	174,560
		<u>33,253,706</u>	<u>30,952,703</u>
Depreciation			
Depreciation	1(d) & 5(a)	1,305,343	1,206,809
Administrative Expenses			
Transport & Travel Costs		2,200,151	3,027,960
Equipment Maintenance		727,151	1,168,475
Repairs & Maintenance		121,126	144,899
Telephone, Fax & Postages	16.	919,653	816,946
Printing & Stationery		621,329	980,372
Professional Fees	17.	277,119	1,575,630
Donations		588,110	1,117,079
Rent		1,906,754	2,037,326
Motor Vehicle Expenses	20.	8,692,409	10,612,816
Board Meetings		63,125	50,000
Advertising		208,800	-
Electricity & Water		6,545	-
		<u>16,332,271</u>	<u>21,531,503</u>
Finance Costs			
Interest Charges		-	237,585
Bank Charges		90,792	119,826
		<u>90,792</u>	<u>357,411</u>
Total Expense		<u>55,700,566</u>	<u>75,266,175</u>
Surplus funds for the year		<u>(686,201)</u>	<u>16,234,929</u>

**CATHOLIC DIOCESE OF KITUI
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

22. FOOD & AGRICULTURE ORGANISATION PROJECT

Revenue	2013 Kshs	2012 Kshs
Surplus Balance Brought Forward	(65,999)	-
FAO Project	-	5,659,800
	<u>(65,999)</u>	<u>5,659,800</u>
Expenditure		
Training & Meetings	-	324,250
Fuel	-	50,220
Voucher Receipts	-	2,768,500
Staff Costs	-	390,000
General Costs	-	304,585
Transport costs	-	530,214
Soil & Water conservation	-	670,740
Water Harvesting	-	687,290
	-	<u>5,725,799</u>
(Deficit)/Surplus Carried Forward	<u>(65,999)</u>	<u>(65,999)</u>

23. WATER DEVELOPMENT PROJECT

Revenue		
Surplus Balance Brought Forward	1,261,272	-
Water Development	1,285,921	15,347,647
Water Bowzer	1,536,886	831,176
Honey & Bee Keeping	-	68,804
	<u>4,084,080</u>	<u>16,247,627</u>
Expenditure		
Development Planning	344,951	-
Makayauni Building	-	4,714,475
Project Expenses	-	1,147,976
Management cost	-	609,910
Water Projects-FOK	-	5,278,909
Training	-	403,512
Bowzer - Motor Vehicle Expenses	-	397,128
Water Admin	16,961	701,821
Match Fund	100,440	-
ARP(DRER)	63,250	-
School fees	-	86,732
Monitoring Phase 2	802,960	1,645,893
	<u>1,328,562</u>	<u>14,986,355</u>
Surplus Carried Forward	<u>2,755,518</u>	<u>1,261,272</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

24. CARITAS GERMANY EMERGENCY PROJECT

	2013	2012
Revenue	Kshs	Kshs
Surplus Balance Brought Forward	268,225	-
Caritas Germany Emergency Project	12,411,750	4,040,000
	<u>12,679,975</u>	<u>4,040,000</u>
Expenditure		
Staff costs	218,100	370,500
Voucher Printing	58,000	122,500
Administration Costs	249,010	18,000
Transport	1,391,840	236,040
Earthdams (Voucher for work)	1,370,780	2,484,155
Training	263,637	48,900
Procurement of Seeds	3,800	337,800
Mobilization of Community	49,050	-
Terraces	1,786,450	153,880
	<u>5,390,667</u>	<u>3,771,775</u>
Surplus Carried Forward	<u>7,289,308</u>	<u>268,225</u>

25. LIVELIHOOD PROGRAMME

Revenue		
Surplus Balance Brought Forward	242,093	-
Livelihood Programme	1,191,861	12,627,631
Baraka	-	24,700
	<u>1,433,955</u>	<u>12,652,331</u>
Expenditure		
Salaries	-	1,650,000
Sand dams	-	725,470
Earth dams	59,392	2,321,014
Mid term evaluation	-	378,600
Monitoring	-	24,193
Bank Charges	6,996	14,076
Goat Restocking	-	933,350
Crop Production	-	349,800
Dip	-	369,770
PRA Training	-	25,806
Procurement of Chicken	-	265,750
Other Expenses	-	921,805
Transport	983,902	3,683,915
Exchange visits	-	129,535
Telephone, Email, Stationery & Postage	-	138,409
Documentary	-	10,400
Training	-	398,985
District Business Solution Center	52,700	69,359
	<u>1,102,989</u>	<u>12,410,238</u>
Surplus Carried Forward	<u>330,965</u>	<u>242,093</u>

**CATHOLIC DIOCESE OF KITUI
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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26. TROCAIRE - JUSTICE & PEACE

	2013	2012
	Kshs	Kshs
Revenue		
Surplus Balance Brought Forward	1,880,744	-
Trocaire - Justice & Peace	2,184,707	9,968,858
Lenten Campaign	176,577	215,493
KEC - Training	-	1,900
	<u>4,242,028</u>	<u>10,186,251</u>
Expenditure		
Staff Salaries	1,123,511	3,270,121
Erection of Notice Board	-	60,400
Follow-ups/monitoring	67,168	98,900
Selection & Training Public F.	-	66,400
Community social audit	-	125,650
Training of Social Auditors	-	60,588
Sensitization on Devolved Funds	-	65,650
Radio Programme on public funds	-	48,000
Production Social Audit Reports	-	98,600
Training New Social Auditors	-	96,800
Travel	1,217,037	2,643,939
Facilitation for Social Auditor	-	135,900
Production of S.A. Report	-	348,420
Community sensitization	-	99,100
Strategic Planing	-	4,900
Staff Training	-	62,260
Office Rent	30,000	108,000
National & Other Strategic	-	65,850
Annual Internal Proj. Review	-	41,500
Administration costs	152,856	411,312
Office supplies	28,335	136,900
Community awareness forum	-	91,250
Newspapers	-	46,895
Telephone, Electricity, Bank charge	10,569	36,173
Planning Sessions - GOK Programme	-	3,150
Public Accountability	288,737	42,850
Print T-Shirts	-	36,000
	<u>2,918,213</u>	<u>8,305,506</u>
Surplus Carried Forward	<u>1,323,815</u>	<u>1,880,744</u>