

**Transparency International Kenya
(A Company Limited by Guarantee)
Annual Financial Statements
for the year ended September 30, 2018**

Transparency International Kenya (A Company Limited by Guarantee)

Annual Financial Statements for the year ended September 30, 2018

Corporate Information

Country of incorporation and domicile	Kenya
Date of incorporation	February 14, 1999
Directors	Samuel Kimeu Bernadette Musundi Kepta Ombati John Juma Marion Barriskell Luis Franceschi Linda Musumba (Resigned w.e.f 13.07.18)
Principal bankers	NIC Bank Limited Upperhill Branch, NIC House Masaba Road P.O.Box 44599 -00100 Nairobi Standard Chartered Bank Limited Yaya Centre P.O.Box 30003 -00100 Nairobi
Registered office	L.R. No. 1/713 Kindaruma Road Off Ngong Road P.O. Box 198-00200 Nairobi
Independent auditor	Grant Thornton Certified Public Accountants (K) 5th Floor, Avocado Towers Muthithi Road, Westlands P.O. Box 46986-00100 Nairobi
Tax reference number	P051136411K
Company registration number	C. 84486

Transparency International Kenya
(A Company Limited by Guarantee)
Annual Financial Statements for the year ended September 30, 2018

Index

The reports and statements set out below comprise the annual financial statements presented to the Board of Directors:

Index	Page
Directors' Report	3 - 5
Statement of Directors' Responsibilities on the Financial Statements	6
Independent Auditor's Report	7 - 9
Statement of Surplus or Deficit and Other Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Fund Balances	12
Statement of Cash Flows	13
Accounting Policies	14 - 18
Notes to the Annual Financial Statements	19 - 31

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Transparency International Kenya (A Company Limited by Guarantee) for the year ended September 30, 2018.

1. Principal activity

The company aims to curb international and national corruption through research, public awareness and advocacy and operates principally in Kenya.

There have been no material changes to the nature of the company's business from the prior year.

2. Business review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015. The accounting policies have been applied consistently compared to the prior year.

The operating results and state of affairs of the company are fully set out in the attached annual report and financial statements and do not in our opinion require any further comment

The surplus of the company after taxation was K Sh 17,459,520 (2017: K Sh (16,581,470) surplus)

The movement for the financial results for the year ended September 30, 2018 have been attributed due to the following:

Economic factors:

There was not much effect from growth in GDP given that TI-Kenya is primarily donor funded. The institution is compliant with Employment Act. The changes in exchange rates led to exchange gain and losses given that the institution grants are denominated in foreign currency. The losses/gains are reported accordingly to the donors.

Costs for services from suppliers have gone up in the current year due to increase in the cost of doing business. Adjustments were also made to the budgeting process. Inflation has led to an increased cost of living and costs of services from suppliers. Donor funding trends have been changing with less funding to the civil society. However, the institution is mobilizing resources more strategically and also in the early stages of incorporating a social enterprise.

Directors' Report

Principal risks specific to the company:

Foreign exchange risk: Exchange differences remain a risk for the institution. This is addressed within budgets shared with donors and reporting is based on actual amount received in local currency

Compliance Risk: We ensure compliance to set deadlines and tax regulations applicable to the entity

Operational Risk: This revolves around business processes and is gauged on disruption - day to day operations are overseen by the Executive Director supported by the management team

Financial Risk: Working towards building reserves for the institution for sustainability. Managing day to day cash planning and payment of suppliers and reporting to donors in a timely manner

3. Dividends

The company is limited by guarantee and is a not-for-profit organization that does not pay dividends.

4. Directors

The directors in office at the date of this report are as follows:

Samuel Kimeu
Bernadette Musundi
Kepta Ombati
John Juma
Marion Barriskell
Luis Franceschi
Linda Musumba (Resigned w.e.f 13.07.18)

In accordance with the company's Articles of Association no director is due for retirement by rotation.

5. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

6. Independent auditor

The company's Auditor, Messrs Grant Thornton, continue in office in accordance with Section 719(2) of the Kenyan Companies Act, 2015.

7. Relevant audit information

The directors in office at the date of this report confirm that;

- a) There is no relevant audit information of which the company's auditor is unaware; and
- b) Each of the directors has taken all the steps that they ought to taken as a director so as to be aware of any relevant information and to establish that the company's auditor is aware of that information.

**Transparency International Kenya
(A Company Limited by Guarantee)**

Annual Financial Statements for the year ended September 30, 2018

Directors' Report

8. Approval of financial statements

The annual financial statements set out on pages 10 to 31 were approved at a meeting by the board on March 1, 2019, and were signed on its behalf by:



Name: Samuel Kimbu

(Director)


Wai Francis

Transparency International Kenya (A Company Limited by Guarantee)

Annual Financial Statements for the year ended September 30, 2018

Statement of Directors' Responsibilities on the Financial Statements

The directors are required in terms of the Kenyan Companies Act, 2015 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. They are also responsible for safeguarding the assets of the company. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

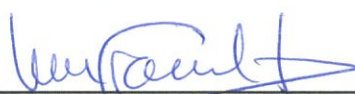
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, appropriate standards for internal control aimed at reducing the risk of error or loss in a cost effective manner have been set. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied upon for the preparation of the annual financial statements. They are, also, of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results as at September 30, 2018. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The directors have reviewed the company's cash flow forecast for the year to September 30, 2019 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external independent auditors is responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external independent auditors and their report is presented on pages 7 to 9. The annual financial statements set out on pages 10 to 31, which have been prepared on the going concern basis, were approved by the board on March 1, 2019 and were signed on its behalf by:



Name: Samuel Kimbu
(Director)



Name: Wai Jambiri
(Director)

Independent Auditor's Report

**To the members of Transparency International Kenya
(A Company Limited by Guarantee)**

Report on the Audit of the Annual Financial Statements

Opinion

We have audited the Annual Financial Statements of Transparency International Kenya (A Company Limited by Guarantee) set out on pages 10 to 31, which comprise the Statement of Financial Position as at September 30, 2018, and the Statement of Surplus or Deficit and Other Comprehensive Income, Statement of Changes in Fund Balances and Statement of Cash Flows for the year then ended, and notes to the Annual Financial Statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the Annual Financial Statements present fairly, in all material respects, the financial position of Transparency International Kenya (A Company Limited by Guarantee) as at September 30, 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for the opinion.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Kenyan Companies Act, 2015 which we obtained prior to the date of this report.

Our opinion on the Annual Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Annual Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Annual 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.

Independent Auditor's Report (continued)

Responsibilities of the directors for the Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the Annual Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of Annual Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Annual Financial Statements, the directors are responsible for assessing the company'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 company or to cease operations, or have no realistic alternative but to do so. The directors are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the Annual Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Annual Financial Statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Annual 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 company'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 Annual 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Annual Financial Statements, including the disclosures, and whether the Annual Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report (continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

As required by the Kenyan Companies Act, 2015, we report to you, based on our audit, that:

- a) 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.
- b) In our opinion proper books of accounts have been kept by the company, so far as appears from our examination of those books;
- c) In our opinion, the financial information given in the directors' report for the year ended September 30, 2018 is consistent with the company's annual financial statements; and
- d) The company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of accounts.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA A. K. Siele - P/No 1690.



Grant Thornton
Certified Public Accountants (K)
Nairobi

28th MARCH 2019

T/101/0918/029/0319/AUD

Transparency International Kenya
(A Company Limited by Guarantee)
Annual Financial Statements for the year ended September 30, 2018

Statement of Surplus or Deficit and Other Comprehensive Income

Figures in Kenyan Shillings	Notes	2018	2017
Income	3	156,392,411	144,872,005
Program expenses	4	(111,384,865)	(97,817,332)
Gross surplus		45,007,546	47,054,673
Other income	5	4,842,679	1,237,429
Operating expenses	6	(32,577,855)	(32,121,490)
Operating surplus		17,272,370	16,170,612
Surplus before taxation		17,272,370	16,170,612
Tax charge	8	187,150	(39,142)
Surplus for the year		17,459,520	16,131,470
Other comprehensive income:			
Gains on revaluation	10	(50,000)	450,000
Total comprehensive surplus for the year		17,409,520	16,581,470

The accounting policies on pages 14 to 18 and the notes on pages 19 to 31 form an integral part of the annual financial statements.

Transparency International Kenya (A Company Limited by Guarantee)

Annual Financial Statements for the year ended September 30, 2018

Statement of Financial Position

Figures in Kenyan Shillings	Notes	2018	2017
Assets			
Non-Current Assets			
Plant and equipment	11	3,305,756	2,849,902
Current Assets			
Current tax receivable	9	957,870	248,290
Trade and other receivables	12	27,091,236	11,274,415
Cash and cash equivalents	13	65,602,038	62,312,780
		93,651,144	73,835,485
Total Assets		96,956,900	76,685,387
Fund balances and Liabilities			
Fund balances			
Revaluation reserves		400,000	450,000
General reserves (Unrestricted funds)		28,360,089	12,581,849
		28,760,089	13,031,849
Restricted funds		1,731,280	-
		30,491,369	13,031,849
Liabilities			
Current Liabilities			
Trade and other payables	14	11,664,712	9,260,656
Deferred income	15	54,800,819	54,392,882
		66,465,531	63,653,538
Total Fund and Liabilities		96,956,900	76,685,387

The annual financial statements and the notes on pages 10 to 31, were approved by the board on the March 1, 2019 and were signed on its behalf by:



Name: SAMUEL KIMANI
(Director)



Name: WAI FOMALI
(Director)

The accounting policies on pages 14 to 18 and the notes on pages 19 to 31 form an integral part of the annual financial statements.

Transparency International Kenya
(A Company Limited by Guarantee)
Annual Financial Statements for the year ended September 30, 2018

Statement of Changes in Fund Balances

	Revaluation reserve	General reserves (Unrestricted funds)	Restricted funds	Total
Figures in Kenyan Shillings				
Balance at October 1, 2016	-	(3,549,621)	-	(3,549,621)
Changes in fund balances				
Surplus for the year	450,000	16,131,470	-	16,581,470
Total changes	<u>450,000</u>	<u>16,131,470</u>	<u>-</u>	<u>16,581,470</u>
Balance at September 30, 2017	<u>450,000</u>	<u>12,581,849</u>	<u>-</u>	<u>13,031,849</u>
Balance at October 1, 2017	450,000	12,581,849	-	13,031,849
Changes in fund balances				
Surplus for the year	-	17,459,520	-	17,459,520
Transfer to unrestricted fund	-	(1,731,280)	1,731,280	-
Transfer of excess depreciation	(50,000)	50,000	-	-
Total changes	<u>(50,000)</u>	<u>15,778,240</u>	<u>1,731,280</u>	<u>17,459,520</u>
Balance at September 30, 2018	<u>400,000</u>	<u>28,360,089</u>	<u>1,731,280</u>	<u>30,491,369</u>

Revaluation reserve - The reserve represents the increase in fair value of property building, investment property and prepaid operating lease rentals compared to their carrying values. The amount carried in the revaluation reserve is the difference between the carrying value and the revalued amount. Thereafter, the difference between the amortisation on the revalued amount and the amortisation on the original cost is transferred from the revaluation reserve to general reserves as realised transfer of excess amortisation.

The revaluation was done by Regent Automobile Valuers & Assessors Limited on October 4, 2017 on Motor Vehicles for an assessed value of K Sh 450,000/-. This revaluation was incorporated in these accounts.

The accounting policies on pages 14 to 18 and the notes on pages 19 to 31 form an integral part of the annual financial statements.

Transparency International Kenya
(A Company Limited by Guarantee)
Annual Financial Statements for the year ended September 30, 2018

Statement of Cash Flows

Figures in Kenyan Shillings	Notes	2018	2017
Cash flows from operating activities			
Cash generated from operations	17	5,543,468	8,960,853
Tax paid	9	(522,430)	(389,789)
Net cash generated from operating activities		5,021,038	8,571,064
Cash flows from investing activities			
Purchase of plant and equipment	11	(2,139,717)	(2,298,701)
Cash flows from financing activities			
Movement in deferred income	15	407,937	(514,232)
Total cash and cash equivalents movement for the year		3,289,258	5,758,131
Cash and cash equivalents at the beginning of the year	13	62,312,780	56,554,649
Total cash and cash equivalents as at end of the year	13	65,602,038	62,312,780

The accounting policies on pages 14 to 18 and the notes on pages 19 to 31 form an integral part of the annual financial statements.

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Kenyan Companies Act, 2015. For Kenyan Companies Act, 2015 reporting purposes in these financial statements, the balance sheet is represented by the statement of financial position and the profit and loss account is represented by the statement of profit or loss and other comprehensive income.

The annual report and financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in Kenyan Shillings and rounded off to the nearest Shilling.

These accounting policies are consistent with the previous period.

1.1 Plant and equipment

The cost of an item of plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of plant and equipment, the carrying amount of the replaced part is derecognised.

Plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation surplus in equity.

Plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Accounting Policies

1.1 Plant and equipment (continued)

The depreciation chart of items of plant and equipment have been assessed as follows:

Asset class	Rate per annum(%)
Furniture and fixtures	12.5
Motor vehicles	25
Equipment	25

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

1.2 Financial instruments

Classification

- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Trade and other receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for the doubtful receivables on a review of all outstanding amounts at the period-end. Bad debts are written off in the period in which they are identified.

Trade and other payables

Trade payables are stated at their nominal value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.3 Taxation

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Accounting Policies

1.3 Taxation (continued)

Current tax liabilities /(assets) for the current and prior periods are measured at the amount expected to be paid to /(recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Taxation expenses

Current taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

1.4 Share capital and equity

Transparency International Kenya is a company limited by guarantee hence no issued share capital. The shareholders are liable for any and all liabilities incurred by the company.

1.5 Employee benefits

Retirement benefits costs

The company contributes to the statutory National Social Security Fund. This fund is a defined contribution scheme registered under the National Social Security Fund Act. The company's obligations under this scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of K Sh 200 per employee per month. In addition to this the company also contributes to a defined scheme administered by an insurance company.

The company's obligations to the schemes are recognized in the statement of surplus or deficit and other comprehensive income.

1.6 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Accounting Policies

1.7 Income

Grant income is recognised when the monetary value of the grant can be measured with sufficient reliability, there is reasonable assurance of receipt and conditions for receipt, if any, have been met. Donations in kind whose monetary value can not be quantified are not recognized as income.

Grant income is deferred where it has been received to fund specific future expenditure.

Interest income is accrued by reference to time in relation to the principal outstanding and the effective interest rate applicable.

All other income are accounted for once received.

1.8 Deferred income

Deferred income represents the unused portion of designated / specific grants and is taken into income when the related expenditure is incurred. Any unexpended grants are carried forward as liabilities at the year end.

1.9 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Kenyan Shillings, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual report and financial statements are recognised in profit or loss in the period in which they arise.

1.10 Financial and Business Risk Management

The company risk limits are regularly assessed to ensure alignment with the company's objectives and prevalent market conditions. The directors are closely involved in ensuring that a variety of techniques are used to assess and manage said risks.

Accounting Policies

1.10 Financial and Business Risk Management (continued)

- **Currency risk:-**

The company is exposed to risk through transactions in foreign currencies. The company's exposures give rise to foreign currency gains and losses that are recognized in the Statement of Profit or Loss and Other Comprehensive Income. The company ensures that its net exposure is kept to an acceptable level by careful monitoring of exchange rates and currency hedging.

1.11 Critical accounting estimates and judgements

In the process of applying the company's accounting policies, the management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below:

- **Critical judgment's in applying the company's accounting policies:**

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year as when identified.

- **Key sources of estimation uncertainty:**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date that has a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year:

Plant and equipment:

Critical estimates are made by the directors in determining the depreciation rates on plant and equipment.

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Amendments to IAS 7: Disclosure initiative

The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities. Specifically, entities are now required to provide disclosure of the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchanges;
- changes in fair values; and
- other changes.

The effective date of the amendment is for years beginning on or after January 1, 2017.

The company has adopted the amendment for the first time in the 2018 annual financial statements.

The impact of the amendment is not material.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

In terms of IAS 12 Income Taxes, deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The following amendments have been made, which may have an impact on the company:

If tax law restricts the utilisation of losses to deductions against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

Additional guidelines were prescribed for evaluating whether the company will have sufficient taxable profit in future periods. The company is required to compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of those deductible temporary differences.

The amendment also provides that the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

The effective date of the amendment is for years beginning on or after January 1, 2017.

The company has adopted the amendment for the first time in the 2018 annual financial statements.

The impact of the amendment is not material.

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after October 1, 2018 or later periods:

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the company are as follows:

Company as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in surplus or deficit.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in surplus or deficit. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.

Transparency International Kenya (A Company Limited by Guarantee)

Annual Financial Statements for the year ended September 30, 2018

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Company as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after January 1, 2019.

The company does not envisage the adoption of the standard until such time as it becomes applicable to the company's operations.

The impact of this standard is currently being assessed.

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

The effective date of the amendment is for years beginning on or after January 1, 2018.

The company expects to adopt the amendment for the first time in the 2019 annual financial statements.

The impact of this amendment is currently being assessed.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in surplus or deficit.
- With regard to the measurement of financial liabilities designated as at fair value through surplus or deficit, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in surplus or deficit. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through surplus or deficit is presented in surplus or deficit.

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after January 1, 2018.

The company does not envisage the adoption of the standard until such time as it becomes applicable to the company's operations.

The impact of this standard is currently being assessed.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after January 1, 2018.

The company does not envisage the adoption of the standard until such time as it becomes applicable to the company's operations. The impact of this standard is currently being assessed.

Transparency International Kenya
(A Company Limited by Guarantee)
Annual Financial Statements for the year ended September 30, 2018

Notes to the Annual Financial Statements

Figures in Kenyan Shillings	2018	2017
3. Income		
Grant income	156,392,411	144,872,005
The amount included in revenue arising from grant income are as follows:		
Deferred income brought forward	54,392,881	54,907,114
Restricted grants	156,143,415	90,863,572
Unrestricted grants	656,934	53,494,200
Deferred income carried forward (Note 14)	(54,800,819)	(54,392,881)
	156,392,411	144,872,005
4. Program expenses(restricted)		
Workshops	42,226,951	40,469,091
Program officer's salaries	42,035,835	38,482,148
Research and consultancy fees	13,583,587	7,132,707
Publications	5,620,097	6,118,967
Publicity and external communication	4,417,255	2,435,700
Stationery and office supplies	1,327,589	1,423,493
Internet and website cost	1,188,100	465,179
Public relations	390,050	249,980
IT support services	303,073	381,264
Newspaper and periodicals	173,220	28,221
International travel and forums	81,086	597,023
Domestic travel	38,022	33,559
	111,384,865	97,817,332
5. Other income		
Interest income	3,482,869	130,472
Other income	1,315,810	596,909
Membership fee	44,000	70,601
Realised exchange differences	-	439,447
	4,842,679	1,237,429
6. Operating expenses		
Staff costs (Note 7)	20,798,187	20,231,881
Lease rentals on operating lease	3,455,113	3,502,600
Legal and professional fees	1,911,471	1,188,746
Depreciation	1,683,863	1,366,409
Telephone and postage	1,175,785	2,332,889
Security and data management	850,187	890,519
Capacity building and development	830,998	196,420

Transparency International Kenya
(A Company Limited by Guarantee)
Annual Financial Statements for the year ended September 30, 2018

Notes to the Annual Financial Statements

Figures in Kenyan Shillings	2018	2017
6. Operating expenses (continued)		
Auditors remuneration	795,551	521,000
Bank charges	378,151	341,120
Realised exchange differences	354,159	-
Repairs and maintenance	279,834	1,225,606
Motor vehicle expenses	41,480	54,550
Office cleaning	17,800	64,454
Insurance	5,276	205,296
	<u>32,577,855</u>	<u>32,121,490</u>
7. Staff costs		
Total employee costs		
Indirect employee costs	<u>20,798,187</u>	<u>20,231,881</u>
The following items are included within employee benefits expense:		
Indirect employee costs		
Salaries and wages	16,764,800	16,930,851
Staff medical	4,162,410	4,577,754
Leave pay provision	(129,023)	(1,276,724)
	<u>20,798,187</u>	<u>20,231,881</u>
8. Taxation expense		
Major components of the tax income		
Current		
Taxation	1,044,861	39,142
Overprovision of tax in prior year	(1,232,011)	-
	<u>(187,150)</u>	<u>39,142</u>
Reconciliation of the tax expense		
Reconciliation between accounting surplus and tax expense.		
Accounting surplus	17,272,370	16,170,612
Tax at the applicable tax rate of 30% (2017: 30%)	5,181,711	4,851,184
Tax effect of adjustments on taxable income		
Income not subject to tax	(4,136,850)	(4,812,042)
Overprovision of tax	(1,232,011)	-
	<u>(187,150)</u>	<u>39,142</u>

Transparency International Kenya
(A Company Limited by Guarantee)
Annual Financial Statements for the year ended September 30, 2018

Notes to the Annual Financial Statements

Figures in Kenyan Shillings	2018	2017
9. Tax paid		
Balance at beginning of the year	248,290	(102,357)
Current tax charge	187,150	(39,142)
Balance at end of the year	<u>(957,870)</u>	<u>(248,290)</u>
	(522,430)	(389,789)

10. Other comprehensive income

Components of other comprehensive income - 2018

	Net
Movements on revaluation	
Transfer of excess depreciation	<u>(50,000)</u>

Components of other comprehensive income - 2017

	Net
Movements on revaluation	
Gains (losses) on property revaluation	<u>450,000</u>

11. Plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	3,358,458	(3,320,284)	38,174	3,358,458	(3,041,625)	316,833
Motor vehicles	450,000	(112,500)	337,500	450,000	-	450,000
Equipment	16,555,460	(13,625,378)	2,930,082	14,415,743	(12,332,674)	2,083,069
Total	20,363,918	(17,058,162)	3,305,756	18,224,201	(15,374,299)	2,849,902

Reconciliation of plant and equipment - 2018

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	316,833	-	(278,659)	38,174
Motor vehicles	450,000	-	(112,500)	337,500
Equipment	2,083,069	2,139,717	(1,292,704)	2,930,082
	<u>2,849,902</u>	<u>2,139,717</u>	<u>(1,683,863)</u>	<u>3,305,756</u>

Transparency International Kenya
(A Company Limited by Guarantee)
Annual Financial Statements for the year ended September 30, 2018

Notes to the Annual Financial Statements

Figures in Kenyan Shillings 2018 2017

11. Plant and equipment (continued)

Reconciliation of plant and equipment - 2017

	Opening balance	Additions	Revaluation Surplus	Depreciation	Total
Furniture and fixtures	736,640	-	-	(419,807)	316,833
Motor vehicles	-	-	450,000	-	450,000
Equipment	730,970	2,298,701	-	(946,602)	2,083,069
	1,467,610	2,298,701	450,000	(1,366,409)	2,849,902

The vehicle owned by the company was revalued by Regent Automobile Valuers & Assessors Limited on October 4, 2017 for an assessed value of K Sh 450,000/-. This revaluation was incorporated in these accounts.

12. Trade and other receivables

Due from donors	20,655,564	4,256,187
Other receivables	336,942	1,591,520
Sub-grantees	944,800	14,252
Deposits	4,962,430	4,962,430
Staff imprest	191,500	450,026
	27,091,236	11,274,415

The deposits amount include K Sh 3,900,000/= paid to lawyers as a settlement of a lawsuit pending an appeal filed in the court. This deposit is recoverable only subject to the outcome of the case.

The carrying amount of trade and other receivables are denominated in Kenyan Shillings.

13. Cash and cash equivalents

Cash and bank balances consist of:

Cash on hand	70,938	44,240
Bank balances	32,049,044	29,929,225
Fixed deposits	33,482,056	32,339,315
	65,602,038	62,312,780

The carrying amount of cash and cash equivalents are denominated in the following currencies:

Kenyan Shillings	41,609,352	55,892,044
US Dollars	16,034,945	6,420,736
EURO	3,612,566	-
GBP	4,345,175	-
	65,602,038	62,312,780

Transparency International Kenya
(A Company Limited by Guarantee)
Annual Financial Statements for the year ended September 30, 2018

Notes to the Annual Financial Statements

Figures in Kenyan Shillings	2018	2017
14. Trade and other payables		
Payables	9,012,944	6,266,560
Accruals and other payables	795,019	1,008,323
Staff leave days accrual	1,856,749	1,985,773
	<u>11,664,712</u>	<u>9,260,656</u>

The carrying amounts of trade and other payables are denominated in Kenyan Shillings.

15. Deferred income

Development Alternatives, Inc	2,628,727	-
Diakonia - Democracy and Governance	-	4,033,457
Diakonia - Strategic Review	-	1,526,654
Embassy of Finland	8,533,742	6,518,613
Embassy of Netherlands	4,651,402	21,003,540
Eye On Corruption	2,188,373	-
Fojo Media Institute	9,747,580	3,143,367
Ford Foundation	9,436,042	-
Germanwatch e.V.	4,582,909	-
National Drought Management Association	-	10,676,319
Open Society Foundation	2,470,239	-
Oxfam Lanina 7	-	3,198,061
PAWA 254	725,000	-
Porticus Africa	1,942,779	-
TI A - Mining for Sustainable Development	2,826,112	-
TI UK - Health Action Fund	-	340,842
TIS - Beneficial Ownership	-	54,718
TIS - Business Integrity Country Agenda	-	638,732
TIS - Climate Governance Integrity	2,870,597	2,794,544
TIS - Create	-	464,035
TIS - Land and Corruption in Africa	666,149	-
Uraia	1,531,168	-
	<u>54,800,819</u>	<u>54,392,882</u>

16. Related parties

Related party transactions

Grants

Transparency International	6,362,858	23,298,262
	<u>6,362,858</u>	<u>23,298,262</u>

Transparency International Kenya is a chapter of the Transparency International Movement.

Transparency International Kenya
(A Company Limited by Guarantee)
Annual Financial Statements for the year ended September 30, 2018

Notes to the Annual Financial Statements

Figures in Kenyan Shillings 2018 2017

16. Related parties (continued)

Compensation to directors and other key management		
Short-term employee benefits	18,982,681	18,982,681

Except for the executive director, all the other directors do not receive any remuneration from the company.

17. Cash generated from operations

Surplus before taxation	17,272,370	16,170,612
Adjustments for:		
Depreciation	1,683,863	1,366,409
Changes in working capital:		
Trade and other receivables	(15,816,821)	(763,042)
Trade and other payables	2,404,056	(7,813,126)
	5,543,468	8,960,853

18. Risk management

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

At September 30, 2018	Less than 1 year	Between 1 and 3 years	Over 3 years	Total
Trade and other payables	11,664,712	-	-	11,664,712
	11,664,712	-	-	11,664,712

Transparency International Kenya
(A Company Limited by Guarantee)
Annual Financial Statements for the year ended September 30, 2018

Notes to the Annual Financial Statements

Figures in Kenyan Shillings 2018 2017

18. Risk management (continued)

At September 30, 2017	Less than 1 year	Between 1 and 3 years	Over 3 years	Total
Trade and other payables	9,260,656	-	-	9,260,656
	<u>9,260,656</u>	<u>-</u>	<u>-</u>	<u>9,260,656</u>

Interest rate risk

As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

Cash flow interest rate risk

The company has deposits bearing interest and any resulting variances in interest will not have any significant impact on the company's performance.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade and other receivables.

Financial assets exposed to credit risk at year end were as follows:

Cash and cash equivalents	65,602,038	62,312,780
Trade and other receivables	27,091,236	11,274,415
Taxation	957,870	248,290
Total	<u>93,651,144</u>	<u>73,835,485</u>

Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Foreign currency exposure at the end of the reporting period

	USD	EURO	GBP
Assets			
Bank balances	<u>158,831</u>	<u>30,645</u>	<u>32,797</u>

Exchange rates used for conversion of foreign items were:

USD	100.95
GBP	132.50
EURO	117.90

Notes to the Annual Financial Statements

19. Fair value

The directors consider that there is no material difference between the fair value and carrying value of the company's financial assets and liabilities where fair value details have not been presented.

20. Comparatives

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

21. Commitments

There were no commitments during the year ended September 30, 2018.

22. Contingencies

Various legal claims were brought against the company during the year. Any liability as a result of this will only be confirmed by the decisions made at the courts and tribunal not wholly within the control of the company. Further information on these contingencies is omitted so as not to seriously prejudice the company's position in the related disputes.

23. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.