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Accountants &
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AFRICA CENTRE FOR OPEN GOVERNANCE
(A COMPANY LIMITED BY GUARANTEE)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

CONTENTS

COMPANY INFORMATION

DIRECTORS	: Gladwell Otieno
	: Stella Chege
	: Maina Kiai
	: John Githongo
	: Duncan Okello
	: Funmi Olonisakin
REGISTERED OFFICE	: Kabasiran Avenue
	: Lavington
	: P.O. Box 18157, 00100
	: NAIROBI
AUDITORS	: PKF Kenya
	: Certified Public Accountants
	: P.O. Box 47323, 00100
	: NAIROBI
LEGAL ADVISOR & COMPANY SECRETARY	: Mbugua Mureithi & Co. Advocates
	: Josem Trust House, 4th floor
	: Masaba road, Upperhill
	: P.O Box 52969, 00200
	: NAIROBI
PRINCIPAL BANKER	: NIC Bank
	: NIC Branch House, Masaba road
	: P.O. Box 44599, 00200
	: NAIROBI

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 2010, which disclose the state of affairs of the company.

PRINCIPAL ACTIVITIES

The principal activities of the company are that of being committed to providing cutting edge research on governance and public ethics issues and monitor governance fundamentals in both the government and private sector.

RESULTS	**2010** **Shs**	**2009** **Shs**
Grant income	32,039,473	39,666,833
Expenses	(47,079,410)	(53,227,763)
(Deficit) for the year	(15,039,937)	(13,560,930)

DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 1.

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

AUDITORS

PKF Kenya were appointed during the year and have indicated their willingness to continue in office in accordance with Section 159(2) of the Companies Act (Cap. 486).

BY ORDER OF THE BOARD

DIRECTOR
NAIROBI

27 June 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act (Cap. 486) requires the directors to prepare financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results for that year. It also requires the directors to ensure that the company maintains proper accounting records which disclose with reasonable accuracy the financial position of the company. The directors are also responsible for safeguarding the assets of the company.

The directors accept the responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, consistent with previous years and in conformity with International Financial Reporting Standards for Small and Medium-Sized Entities and the requirements of the Companies Act (Cap. 486). The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company as at 31 December 2010 and of its operating results for the year then ended. The directors further confirm the accuracy and completeness of the accounting records maintained by the company which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls.

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

Approved by the board of directors on 27 June 2011 and signed on its behalf by:

DIRECTOR **DIRECTOR**

PKF Kenya
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AFRICA CENTRE FOR CORPORATE GOVERNANCE (A COMPANY LIMITED BY GUARANTEE)

Report on the financial statements

We have audited the accompanying financial statements of Africa Centre for Open Governance set out on pages 6 to 14 which comprise the statement of financial position as at 31 December 2010 and the statement of comprehensive income and general fund and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standard for Small and Medium-Sized Entities and the requirements of the Companies Act (Cap. 486). This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at 31 December 2010 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-Sized Entities and with the requirements of the Company's Act (Cap.486)

Tel +254 20 4446616-9 Mobile +254 720 606616, +254 735 337766
Fax +254 20 4447233 Email pkfnbi@ke.pkfea.com | www.pkfea.com
PKF Kenya | Kalamu House, Westlands | P O Box 14077, Nairobi 00800 | Kenya

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF AFRICA CENTRE FOR CORPORATE GOVERNANCE (A COMPANY LIMITED BY GUARANTEE)

Report on other legal requirements

As required by the Companies Act (Cap. 486) 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 company, so far as appears from our examination of those books; and
(iii) the company's statement of financial position and statement of comprehensive income and general fund are in agreement with the books of account.

PKF Kenya
Certified Public Accountants
PIN NO. P051130467R

NAIROBI

28 June 2011

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STATEMENT OF COMPREHENSIVE INCOME AND GENERAL FUND

	Notes	2010 Shs	2009 Shs
INCOME			
Grant income	2	31,862,486	39,286,176
Interest income		176,987	380,657
Total income		32,039,473	39,666,833
EXPENDITURE			
Staff costs	4	16,274,028	18,799,384
Case studies and research		6,069,624	4,184,952
Witholding tax		-	361,962
Consultancy and Legal fees		4,171,282	6,052,031
Policy partnership		2,937,568	613,928
Communications and postage		2,909,050	609,789
Advocacy		2,692,816	5,811,115
Office rent		2,433,000	1,641,000
Program Development		2,229,834	1,551,485
Printing and publication		1,854,692	1,421,889
Office expenses and maintainance		1,529,994	1,399,094
Travelling and accomodation		1,240,100	421,974
Meeting expenses		782,578	1,603,558
Media Advertising		410,356	904,494
Mobilization		400,000	1,243,220
Networking		316,285	2,581,949
Computer maintainance and software		294,332	841,704
Depreciation on plant and equipment		268,776	338,289
Audit fees		168,200	290,000
Bank charges		75,645	61,932
Insurance		21,250	27,965
Monitoring		-	2,435,591
Training and development		-	30,458
Total expenditure		47,079,410	53,227,763
(Deficit) for the year		(15,039,937)	(13,560,930)
Total comprehensive (loss)		(15,039,937)	(13,560,930)
General fund at start of year		13,228,215	26,789,145
Total comprehensive (loss)		(15,039,937)	(13,560,930)
General fund at end of year		(1,811,722)	13,228,215

The significant accounting policies on page 9 to 11 and the notes on pages 12 to 14 form an integral part of these financial statements.

Independent auditor's report - pages 4 and 5.

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2010 Shs	2009 Shs
CAPITAL EMPLOYED			
General fund		(1,811,722)	13,228,215
REPRESENTED BY			
Non-current assets			
Plant and equipment	5	1,024,638	1,144,033
Current assets			
Other receivables	6	827,703	-
Cash and cash equivalents	7	3,095,039	12,084,182
		3,922,742	12,084,182
Current liabilities			
Other payables	8	4,252,093	-
Borrowings	9	2,507,009	-
		6,759,102	-
Net current assets		(2,836,360)	12,084,182
		(1,811,722)	13,228,215

The financial statements on pages 6 to 14 were authorised for issue by the Board of Directors on 27 June 2011 and were signed on its behalf by:

_______________DIRECTOR _______________DIRECTOR

The significant accounting policies on page 9 to 11 and the notes on pages 12 to 14 form an integral part of these financial statements.

Independent auditor's report - pages 4 and 5.

STATEMENT OF CASH FLOWS

	Notes	2010 Shs	2009 Shs
Cash from operating activities			
(Deficit) for the year		(15,039,937)	(13,560,930)
Adjustments for:			
Depreciation on plant and equipment		268,776	338,289
Changes in working capital:			
- other receivables		(827,703)	-
- other payables		4,252,093	-
Net cash (used in) operating activities		(11,346,771)	(13,222,641)
Investing activities			
Cash paid for purchase of plant and equipment	5	(149,381)	(679,684)
Net cash (used in) investing activities		(149,381)	(679,684)
Net (decrease) in cash and cash equivalents		(11,496,152)	(13,902,325)
Movement in cash and cash equivalents			
At start of year		12,084,182	25,986,507
(Decrease)		(11,496,152)	(13,902,325)
At end of year	7	588,030	12,084,182

The significant accounting policies on page 9 to 11 and the notes on pages 12 to 14 form an integral part of these financial statements.

Independent auditor's report - pages 4 and 5.

NOTES: SIGNIFICANT ACCOUNTING POLICIES

1. General Information

Africa Centre for Open Governance is incorporated in Kenya under the Kenyan Companies Act as a private company limited by guarantee, and is domiciled in Kenya. The address of its registered office and principal place of business is Kabasiran Avenue, Lavington, Nairobi. The principal activities of the company are that of being committed to providing cutting edge research on governance and public ethics issues and monitor governance fundamentals in both the government and private sector.

2. Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board. They are presented in Kenya Shillings (Shs). The measurement basis used is the historical cost basis.

The financial statements of the previous year were prepared in accordance with full International Financial Reporting Standards.

The preparation of financial statements in conformity with IFRS for SMEs require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3a.

3. Summary of significant accounting policies

a) Significant judgements made by management in applying the company's accounting policies

Management has made the following judgements that are considered to have the most significant effect on the amounts recognised in the financial statements:

- The entity applies judgement in determining whether the conditions for recognition of grants as income have been met.

Key sources of estimation uncertainty

In the opinion of management there are no assumptions or other major sources of estimation uncertainty at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within 12 months of the reporting date

b) 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 recognised as income.

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

3. Summary of significant accounting policies (continued)

c) Translation of foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Kenya shillings at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income and expenditure account.

d) Plant and equipment

Plant and equipment are initially recorded at cost and thereafter stated at historical cost less 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 company and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income and expenditure account during the financial period in which they are incurred.

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

	Rate
Computers	30%
Plant and machinery	12.5%
Furniture and fittings	12.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal of equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus/(deficit).

e) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and bank balances.

f) Other payables

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

g) Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less impairment.

Impairment of trade receivables is recognized in the profit and loss account under administrative expenses when there is objective evidence that the company will not be able to collect all amounts due per the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default in payments are considered indicators that the trade receivable is impaired. The provision is based on the difference between the carrying amount and the present fair value of the expected cash flows, discounted at the effective interest rate.

NOTES: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. **Summary of significant accounting policies (continued)**

g) Trade receivables (continued)

Receivables not collectible are written off against the impairment. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income under administrative expenses in the year of their recovery.

h) Taxation

No provision for corporate taxation has been made in these financial statements, as the company was not in receipt of taxable income.

i) The company as a lessee

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income and expenditure account on a straight line basis over the period of the lease.

j) Retirement benefits

The company contributes to the statutory National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Act. The company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of Shs 200 per employee per month.

k) Comparatives

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

NOTES

1. **Emphasis of matter**

The fund balance as at 31 December 2010 is a deficit of Shs. 1,811,722 (2009: Nil). This is as a result of administration expenses not being funded by the donors. The accounts have however been prepared on a going concern basis on the assumption that the donors will continue to fund the organization.

2. **Income**

	2010 Shs	2009 Shs
Open Society International	22,469,404	15,245,428
United Nations Development Programme	3,750,000	-
International Criminal Court	1,306,758	-
National Endowment for Democracy	1,157,954	1,111,516
Embassy of Finland	1,133,245	-
Other grant income	556,678	455,566
International Court of Jurists PACT Kenya	535,640	-
World Vision International	490,444	270,980
African Leadership Centre	374,624	-
Freedom House incorporated.	87,739	289,044
Department For International Development	-	8,200,000
Uraia	-	6,500,000
MS Kenya	-	4,765,000
Action Aid	-	1,276,250
TIDES Foundation	-	598,400
GTZ	-	573,992
Total grant income	31,862,486	39,286,176

3. **Operating (deficit)**

The following items have been charged in arriving at operating (deficit):

	2010 Shs	2009 Shs
Auditor's remuneration	188,200	290,000
Staff costs	16,274,028	18,799,384

4. **Staff costs**

Salaries and wages	16,274,028	18,799,384

NOTES (CONTINUED)

5. **Plant and equipment**

Year ended 31 December 2010

	Computers Shs	Plant and machinery Shs	Furniture and fittings Shs	Total Shs
Cost				
At start of year	1,023,968	343,368	329,442	1,696,778
Additions	-	98,995	50,386	149,381
At end of year	1,023,968	442,363	379,828	1,846,159
Depreciation				
At start of year	411,974	76,675	64,096	552,745
Charge for the year	183,598	45,711	39,467	268,776
At end of year	595,572	122,386	103,563	821,521
Net book value 2010	428,396	319,977	276,265	1,024,638
Net book value 2009	611,994	266,693	265,346	1,144,033

In the opinion of the directors, there is no impairment of plant and equipment.

6. **Other receivables**

	2010 Shs	2009 Shs
Project advances	606,840	-
Staff advances	220,863	-
	827,703	-

7. **Cash and cash equivalents**

Cash at bank and in hand	3,095,039	12,084,182

For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise the following:

Cash and bank balances	3,095,039	12,084,182
Bank overdraft (Note 9)	(2,507,009)	-
	588,030	12,084,182

For the purpose of the cash flow statement, cash and cash equivalents comprise the above.

8. **Other payables**

	2010 Shs	2009 Shs
Accruals	4,252,093	-

NOTES (CONTINUED)

9. **Borrowings**

	2010 Shs	2009 Shs
The borrowings are made up as follows:		
Current		
Bank overdraft (Note 7)	2,507,009	-

10. **Tax**

Afirca Centre for Open Governance is currently in the process of obtaining a tax exemption certificate.

11. **Presentation currency**

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

EXPENDITURE ANALYSIS

Breakdown by programme

	2010 Shs	2009 Shs
Administrative expenses	16,537,541	5,312,873
KPTJ	9,394,903	12,256,796
OSIEA/AFRIcog	6,627,410	5,214,814
UNDP	3,246,144	-
TISA	2,610,894	3,606,821
NED	2,213,695	-
Investigative Journalism expenses	2,135,760	944,748
URAIA	1,194,684	9,811,797
RNE	835,882	535,040
TIDES	646,054	-
PACT/ICJ	411,999	-
ICC	367,750	-
Horn of Africa	247,000	-
GTZ	229,007	413,761
MOPA	206,800	5,293,436
DFID	173,889	9,837,677
	47,079,412	53,227,763