



# Financial Statements For The Year Ended 31 March 2018

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## 7 Financial Statements

# Trustee's Report

The trustees submit their report together with the audited financial statements for the year ended 31 March 2018 which discloses the state of affairs of Safaricom Foundation (the "Foundation").

### PRINCIPAL ACTIVITIES

The principal activities of the Foundation, as detailed in the Declaration of Trust, are towards the relief of poverty and distress of persons in Kenya and the furtherance of education and training of persons in Kenya. The Foundation is funded by grants and donations from corporate sponsors while individuals funding entails partial contributions towards approved projects.

### RESULTS

The deficit for the year of Shs 31,779,065 (2017: Shs 43,220,546) has been adjusted in the revenue reserve fund.

### TRUSTEES

The Trustees who held office during the year and to the date of this report were:

J Ogutu Chairman  
J Mwendameru  
J Kamanthe  
F Ali  
R Okuthe  
S Mulinge  
S Chege  
S Okeyo

The trustees confirm that with respect to each trustee at the time of approval of this report:

- a. there was, as far as each trustee is aware, no relevant audit information of which the Foundation's auditor is unaware; and
- b. each trustee had taken all steps that ought to have been taken as a trustee so as to be aware of any relevant audit information and to establish that the Foundation's auditor is aware of that information.

### TERMS OF APPOINTMENT OF AUDITORS

The Foundation's auditor, PricewaterhouseCoopers has expressed willingness to continue in office.

The trustees monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the Foundation.

**By order of the Board of Trustees,**



**Chairman**  
**30 May 2018**

# Trustee's Report

The Trust Deed requires the trustees to prepare financial statements for each financial year that give a true and fair view of the financial position of the Foundation as at the end of the financial year and of its surplus or deficit for that year. The trustees are responsible for ensuring that the Foundation keeps proper accounting records that are sufficient to show and explain the transactions of the Foundation; disclose with reasonable accuracy at any time the financial position of the Foundation; and that enables them to prepare financial statements of the Foundation that comply with prescribed financial reporting standards and the requirements of the Trust Deed. They are also responsible for safeguarding the assets of the Foundation and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Trust Deed. They also accept responsibility for:

Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

Selecting suitable accounting policies and then apply them consistently; and

Making judgments and accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, the trustees have assessed the Foundation's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the trustees to indicate that the Foundation will not remain a going concern for at least the next twelve months from the date of this statement.

The trustees acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Board of the Trustees on 30 May 2018 and signed on its behalf by:



**Chairman**



**Trustee**



## 7 Financial Statements



**pwc**

# Independent auditor's report to the Trustees of Safaricom Foundation

## Report on the audit of the financial statements

### Opinion

We have audited the accompanying financial statements of Safaricom Foundation (the Foundation) set out on pages 6 to 14 which comprise the statement of financial position at 31 March 2018 and the statements of comprehensive income, changes in fund balances and cash flows for the year then ended and the notes to the financial statements, which include a summary of a significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Safaricom Foundation at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Foundation in accordance with the International Ethics Standards Board for Accountants' Code of

Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

### Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement

of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the trustees for the financial statements

The trustees are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Trust Deed, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the Foundation'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 trustees either intend to liquidate the Foundation or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance,



## Independent auditor's report to the Trustees of Safaricom Foundation (continued)

but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the trustees 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.

In our opinion the information given in the report of the trustees on page 1 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Peter Ngahu—Practising Certificate No .1458

**Certified Public Accountants**

**Nairobi**

**2018**

## 7 Financial Statements

# Statement of Comprehensive Income

	Notes	Year ended 31 March	
		2017	2017
		Shs	Shs
Donations received	4	459,219,380	417,012,347
Donations granted		(430,786,953)	(399,444,380)
Administrative expenses	5	(77,133,800)	(72,534,594)
Finance income	6	16,922,308	11,746,081
Deficit before income tax		(31,779,065)	(43,220,546)
Income tax		-	-
<b>Deficit for the year</b>		<b>(31,779,065)</b>	<b>(43,220,546)</b>
Other comprehensive income, net of tax		-	-
<b>Total comprehensive deficit for the year</b>		<b>(31,779,065)</b>	<b>(43,220,546)</b>

# Statement of Financial Position

		31 March 2018	31 March 2017
	Notes	Shs	Shs
<b>Capital Employed</b>			
Trust fund		100	100
Revenue reserve fund		309,166,356	340,945,421
Fund balances		309,166,456	340,945,521
<b>Represented by current assets</b>			
Other receivables	11 (iii)	15,990,001	1,449,710
Short-term investments	10	50,242,815	-
Cash and Cash Equivalents	9	267,234,832	343,030,194
		333,467,648	344,479,904
<b>Current liabilities</b>			
Payables and accrued expenses	7	24,301,192	3,534,383
<b>Net current assets</b>		309,166,456	340,945,521
<b>Net assets</b>		<b>309,166,456</b>	<b>340,945,521</b>

The financial statements on pages 6 to 14 were approved for issue by the board of trustees on 30 May 2018 and signed on its behalf by:

  
Chairman

  
Trustee

## 7 Financial Statements

# Statement of Changes in Fund Balances

	Trust fund	Revenue reserve fund	Total
	Shs	Shs	Shs
<b>Year ended 31 March 2017</b>			
At start of the year	100	384,165,967	384,166,067
Surplus for the year	-	(43,220,546)	(43,220,546)
At end of year	100	340,945,421	340,945,521
<b>Year ended 31 March 2018</b>			
At start of the year	100	340,945,421	340,945,521
Deficit for the year	-	(31,779,065)	(31,779,065)
<b>At end of year</b>	<b>100</b>	<b>309,166,356</b>	<b>309,166,456</b>

# Statement of Cash Flows

	31 March 2018	31 March 2017
	Shs	Shs
<b>Cash flows from operating activities</b>		
Deficit for the year	(31,779,065)	(43,220,546)
Interest income	(16,922,308)	(11,746,081)
Adjustments for:		
Changes in working capital:		
• (Increase)/ decrease in other receivables	(14,540,291)	27,027,225
• Increase in interest receivable	2,886,863	197,854
• Increase in payables	20,766,809	2,410,173
• Short-term investments	(50,242,815)	-
Interest income	(16,922,308)	(11,746,081)
Net cash (used in) / generated from operating activities	(58,051,742)	17,889,171
Cash flows from investing activities	14,035,445	11,548,227
<b>Decrease in cash and bank balances</b>	<b>(75,795,362)</b>	<b>(13,783,148)</b>
<b>Movement in cash and bank balances</b>		
At start of the year	343,030,194	356,813,342
Decrease in cash and cash equivalents	(75,795,362)	(13,783,148)
<b>At end of the year</b>	<b>267,234,832</b>	<b>343,030,194</b>



## 7 Financial Statements

# Notes

### 1. General information

The Foundation was established by Safaricom PLC, as a public charitable trust by a Declaration of Trust dated 14 August 2003 and is domiciled in Kenya. Its principal office of operation is:

Safaricom House

Waiyaki Way-Westlands

P.O. Box 66827 - 00800

Nairobi, Kenya

### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### a. Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Foundation's accounting policies. There are no areas involving a higher degree of judgement or complexity, or assumptions and estimates that are significant to the financial statements.

Changes in accounting policy and disclosures

The Foundation adopted the amendment to IAS 7 – Cash flow statements published in February 2016 and effective for annual periods beginning on or after 1 April 2017.

This amendment to IAS 7 introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Other new accounting standards and interpretations have been published that are not mandatory for 31 March 2018 reporting periods and have not been early adopted by the Foundation. The relevant standards are not expected to have a significant impact on the financial statements of the Foundation and are set out below:

#### b. Revenue recognition

Donations received are recognized in the income statement on an accrual basis.

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

#### c. Translation of foreign currencies

Transactions in foreign currencies are converted into the functional currency, Kenya Shillings, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign

currencies are recognised in the statement of comprehensive income.

#### d. Donations receivable

Donations receivable represent amounts committed by donors as at the end of the year that have not been received and are carried at nominal amounts.

#### e. Income tax

The Foundation is solely funded by grants and donations. It is not a trading entity, and therefore has no taxable business income. It obtained an income tax exemption effective 5 July 2013 for a period of 5 years. These financial statements therefore have been prepared on the basis that the Foundation is exempt from income tax.

#### f. Cash and bank balances

Cash and bank balances include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

#### g. Comparatives

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current year.

### 3. Financial risk management objectives and policies

The Foundation's activities expose it to a variety of financial risks: market risk and credit risk. The Foundation's overall risk management programme focuses on the operational risks and seeks to minimise potential adverse effects on its operational performance. The Foundation does not hedge any risks.

# Notes (continued)

Financial risk management is carried out by the Foundation's management under policies approved by the Board of Trustees.

## Market risk

### i. Foreign exchange risk

The Foundation receives all its donations in Kenya Shillings mainly from Safaricom PLC and makes most of its donations in Kenya Shillings. The Foundation is therefore not exposed to foreign exchange risk.

### ii. Price risk

The Foundation does not hold any financial instruments subject to price risk.

### iii. Cash flow and fair value interest rate risk

The Foundation does not have any interest bearing financial liability. The current bank account however earns interest. As at 31 March 2018, an increase/ decrease of 10 basis points would have resulted in a decrease / increase in surplus before tax of Shs267,235 (2017: Shs343,030).

## Credit risk

Credit risk arises from cash at bank and short term deposits with banks, as well as other receivables. Credit risk is the risk that a counter party will default on its contractual obligations resulting in financial loss to the Foundation. Credit risk is managed by the Foundation's Senior Manager - Finance.

The Foundation does not have any significant concentrations of credit risk.

The Senior Manager - Finance monitors the bank balances and donations receivable on a monthly basis and gives the Foundation's Board of Trustees an update of the status in the monthly board meeting. For banks and financial institutions, only reputable well established financial institutions are accepted.

Receivables	Less than 1 year	Over 1 year	Impaired	Total
	Shs	Shs	Shs	Shs
Year ended 31 March 2017	15,990,001			15,990,001
Year ended 31 March 2017	1,449,710			1,449,710

## Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash to meet the Foundation's obligations. The Foundation did not have any financial liabilities as at end of the year. The payable balance as at 31 March 2018 and 31 March 2017 relates to outstanding cheques to various project beneficiaries that had not cleared in the bank.

## Capital risk management

The Foundation is managed as a Trust hence capital risk is not relevant.

## 4. Analysis of donation received

	2018	2017
	Shs	Shs
Safaricom PLC	377,829,784	382,429,390
M-Pesa Foundation	-	5,000,000
Vodafone Foundation	26,200,000	-
Other donations received	55,189,596	29,582,957
	459,219,380	417,012,347

## 5. Administrative expenses

	2018	2017
	Shs	Shs
Employee benefits expense	26,019,728	28,080,334
Auditor's remuneration	382,800	280,000
Conference and seminars	399,702	945,473
Consultancy fees	12,832,220	7,886,133
Travel and accommodation	9,116,375	11,809,749
Other operating expense	28,382,97	23,532,905
	77,133,800	72,534,594

## 7 Financial Statements

# Notes (continued)

### 6. Finance income

	2018	2017
	Shs	Shs
Interest income from bank deposits	16,922,308	11,746,081

### 7. Payables and accrued expenses

	2018	2017
	Shs	Shs
Payables	13,161,172	3,534,383
Accrued expenses	11,140,020	-
	<b>24,301,192</b>	<b>3,534,882</b>

The payable balance relates to outstanding cheques to various project beneficiaries that had not cleared in the bank as at year end. Accrued expenses relate matured obligations that have not been settled as at the end of the period.

### 8. Commitments

The Foundation has a commitment to disburse donations amounting to Shs 321 million (2017: Shs 346 million) over the next year.

### 9. Cash and cash equivalents

Cash and cash equivalents comprise of the following for the purpose of the statement of cash flows:

	2018	2017
	Shs	Shs
Cash and bank balances	52,838,942	269,717,558
Call deposits	102,895,890	23,498,851
Treasury bills (below 90 days to maturity)	111,500,000	49,813,785
	<b>267,234,832</b>	<b>343,030,194</b>

### 10. Short-term investments

Short-term equivalents of the comprise of the following for the purpose of the statement of cash flows

	2018	2017
	Shs	Shs
Treasury bills (above 90 days to maturity)	50,242,815	-

### 11. Related party transactions

The Foundation was founded by Safaricom PLC. It is related to other companies through common control. In accordance with the Trust Deed, Safaricom PLC bears all expenses of the Foundation.

The following transactions were carried out with related parties:

#### (i) Purchases from related party

	2018	2017
	Shs	Shs
Safaricom PLC	77,133,800	77,791,594

#### i) Donations received

	2018	2017
	Shs	Shs
Safaricom PLC	377,829,784	382,429,390
M-PESA Foundation	-	5,000,000
Vodafone Foundation	26,200,000	-
	<b>404,029,784</b>	<b>387,429,390</b>

#### (iii) Other receivable

	2018	2017
	Shs	Shs
Safaricom PLC	15,990,001	25,833,333