

Naivasha Children's Shelter

Annual Report and Financial Statements

For the year ended 31 December 2016



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ORGANISATION'S INFORMATION

TRUSTEES

: Mr. Igal Elfezouaty - Chair person
: Ms. Melissa Keng - Secretary
: Mr. Jayesh Sanghrajka
: Ms. Kristen Lowry
: Ms. Eunice Ng'anga
: Mr. Stephen Thompson
:

**PRINCIPAL PLACE OF BUSINESS
AND REGISTERED OFFICE**

: L.R 5212, Moi South House
: Lake house,
: P.O. Box 884- 20117
: NAIVASHA

: Telephone Number - +254 723 741704
: Email - NCShelter@gmail.com

INDEPENDENT AUDITOR

: PKF Kenya
: Certified Public Accountants
: P.O. Box 14077, 00800
: NAIROBI

PRINCIPAL BANKER

: Stanbic Bank Limited
: NAIVASHA

REPORT OF THE TRUSTEES

The trustees submit their report and the audited financial statements for the year ended 31 December 2016, which disclose the state of affairs of the organisation.

PRINCIPAL ACTIVITY

The principal activity of the organisation is to provide financial and other practical assistance in the education of needy students in Kenya. It's main goal and guiding principal is promotion and encouragement of education among the disadvantaged people.

RESULTS FOR THE YEAR

The results for the year are set out in the statement of income and expenditure on page 7.

TRUSTEES

The trustees who served during the year and to the date of this report are shown on page 1.


FUNDING

The organisation derives substantially all its income from donations. As a result, the continued existence of the organisation is dependent on financial support from the donors.

INDEPENDENT AUDITOR

The organisations auditor, PKF Kenya, was appointed during the year and has indicated willingness to continue in office.

BY ORDER OF THE BOARD



CHAIRMAN

23 April 2018

STATEMENT OF BOARD OF TRUSTEES' RESPONSIBILITIES

The trustees are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the organisation as at the end of the financial year and of the results for that year. The trustees are also required to ensure that the organisation maintains proper accounting records which disclose, with reasonable accuracy the financial position of the organisation and that enables them to prepare financial statements of the organisation that comply with the International Financial Reporting Standard for Small and Medium Sized Entities. The trustee's are also responsible for safeguarding the assets of the organisation.

The trustees accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. The trustees also accept responsibility for:

- i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii. Selecting and applying appropriate accounting policies; and
- iii. Making accounting estimates and judgements that are reasonable in the circumstances.


The trustees are of the opinion that the financial statements give a true and fair view of the financial position of the organisation as at 31 December 2016 and of the organisation's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities.

In preparing these financial statements the trustees have assessed the company's ability to continue as a going concern. Nothing has come to the attention of the trustees to indicate that the organisation 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 responsibilities.

So far as each of the trustees is aware, there is no relevant audit information which the auditor is unaware of, and each of the trustees has taken all the steps that ought to have been taken in order to become aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the board of trustees on 23 April 2018 and signed on its behalf by:



TRUSTEE



TRUSTEE

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF NAIVASHA CHILDRENS' SHELTER

Opinion

We have audited the accompanying financial statements of Naivasha Children's Shelter set out on pages 7 to 16 which comprise the statement of financial position as at 31 December 2016, statement of income and expenditure and accumulated fund and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Naivasha Children's shelter as at 31 December 2016 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities.

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 organisation 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 other 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 report of the trustees, statement of trustees' responsibilities and schedule of expenditure that comprise 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 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, 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.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF NAIVASHA CHILDRENS' SHELTER (CONTINUED)

Trustees' responsibilities for the financial statements

The trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and for such internal control as 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 organisation'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 organisation or to cease operations, or has 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, 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 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:

- i. 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.
- ii. 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 trust's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- iv. Conclude on the appropriateness of trustee's 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 organisation'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 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 organisation to cease to continue as a going concern.

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF
NAIVASHA CHILDRENS' SHELTER (CONTINUED)****Auditor's responsibilities for the audit of the financial statements (continued)**

- v. 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 those charged with governance 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.

PKF Kenya
**Certified Public Accountants
NAIROBI**

16th May 2018

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STATEMENT OF INCOME AND EXPENDITURE AND ACCUMULATED FUND

	Notes	2016 Shs	2015 Shs
Donations	3	10,637,327	3,183,478
Other income	4	687,523	454,698
Administrative expenses		(5,169,408)	(4,804,902)
Other operating expenses		<u>(1,025,357)</u>	<u>(1,001,106)</u>
Operating surplus/(deficit)		5,130,085	(2,167,832)
Finance cost	7	<u>(184,446)</u>	<u>(95,971)</u>
Surplus/(deficit) for the year		4,945,639	(2,263,803)
Accumulated fund at start of year- as previously stated		17,917,459	20,181,262
Prior year adjustments:			
- Property and equipment	15	<u>(2,867,534)</u>	<u>(2,867,534)</u>
Accumulated fund at start of year as restated		15,049,925	17,313,728
Surplus/(deficit) for the year		4,945,639	(2,263,803)
Accumulated fund at end of year - as restated		<u><u>19,995,564</u></u>	<u><u>15,049,925</u></u>

The notes set out on pages 10 to 16 form an integral part of these financial statements.

Report of the independent auditor - pages 4 to 6.

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2016 Shs	2015 Shs *Restated
FUND BALANCES			
Accumulated fund		<u>19,995,564</u>	<u>15,049,925</u>
REPRESENTED BY			
Non-current assets			
Property and equipment	8	7,512,873	7,622,963
Biological assets	9	<u>190,000</u>	<u>190,000</u>
		<u>7,702,873</u>	<u>7,812,963</u>
Current assets			
Other receivables	10	140,775	102,989
Cash and cash equivalents	11	<u>12,747,877</u>	<u>7,662,239</u>
		<u>12,888,652</u>	<u>7,765,228</u>
Current liabilities			
Trade and other payables	12	<u>595,961</u>	<u>528,266</u>
Net current assets			
		<u>12,292,691</u>	<u>7,236,962</u>
		<u>19,995,564</u>	<u>15,049,925</u>

The financial statements on pages 7 to 16 were approved and authorised for issue by the board of trustees on 23 April 2018 and were signed on its behalf by:


 _____ CHAIRMAN


 _____ TRUSTEE

The notes set out on pages 10 to 16 form an integral part of these financial statements.

Report of the independent auditor - pages 4 to 6.

STATEMENT OF CASH FLOWS

		2016	2015
Cash from/(used in) operations			
Surplus/(deficit) for the year		4,945,639	(2,263,803)
Adjustments for non-cash income and expenses:			
Depreciation on property and equipment	8	403,250	172,977
Interest income	4	(538,446)	(114,138)
Changes in working capital:			
- Trade and other payables		67,695	274,607
- Other receivables		(37,786)	148,907
		<u>4,840,352</u>	<u>(1,781,450)</u>
Cash from/(used in) operations			
Interest income		<u>538,446</u>	<u>114,138</u>
		<u>5,378,798</u>	<u>(1,667,312)</u>
Investing activities			
Purchase of property and equipment	8	<u>(293,160)</u>	<u>(53,157)</u>
Net cash (used in) investing activities		<u>(293,160)</u>	<u>(53,157)</u>
		<u>5,085,638</u>	<u>(1,720,469)</u>
Movement in cash and cash equivalents			
At start of year		7,662,239	9,382,708
Increase/(decrease)		<u>5,085,638</u>	<u>(1,720,469)</u>
At end of year	11	<u>12,747,877</u>	<u>7,662,239</u>

The notes set out on pages 10 to 16 form an integral part of these financial statements.

Report of the independent auditor - pages 4 to 6.

NOTES

1. General information

The Naivasha Children's shelter, is registered in Kenya under the Children Act No.8 of 2001 and is domiciled in Kenya. The address of its registered office and principal place of business is set out on page 1.

The main funding for the organisation is from Friends of Naivasha Children's Shelter which is based in Memphis, Tennessee, USA. Friends of Naivasha Children's Shelter was established in 2015 to give supporters in the United States of America an easy, transparent way to support Naivasha Children's Shelter.

2. Significant accounting policies

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

a) Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities issued by the International Accounting Standards Board. They have been prepared under the historical cost convention and are presented in Kenya Shillings.

The preparation of financial statements in conformity with International Financial Reporting Standard for Small and Medium-sized Entities requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the shelter's accounting policies. Areas involving a high degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2(b).

Going concern

The financial performance of the organisation is set out in the report of the trustees and in the statement of income and expenditure and accumulated fund. The financial position of the organisation is set out in the statement of financial position.

Based on the financial performance and position of the organisation and risk management policies, the trustees are of the opinion that the organisation is well placed to continue for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

b) Key sources of estimation uncertainty

In the application of the accounting policies, the trustees are required to make the judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The trustees have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- **Useful lives of property and equipment** - Management reviews the useful lives and residual values of the items of property and equipment on a regular basis. During the financial year, the trustees determined no significant changes in the useful lives and residual values.

c) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from donors.

NOTES (CONTINUED)

2. Significant accounting policies (continued)

c) Revenue recognition (continued)

- i) All donations are accounted for on a cash receipt basis unless there are committed funds or pledged funds that are receivable.
- ii) Interest income is accrued by reference to time under the effective interest method.
- iii) Sale of beads and carpentry is recognised upon delivery of products and customer acceptance.

d) Recognition of expenses

Expenditure is recognised in the period to which it relates and is accounted on accruals basis.

e) Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to its location and condition for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the organisation and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to statement of income and expenditure during the period in which they are incurred.

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

	<u>Rate %</u>
Motor vehicles	25
Furniture and fitting	12.5
Office equipment	12.5
Computer and accessories	30

Buildings are depreciated at the annual rate of 2% on straight line basis.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position 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 property and equipment are determined by reference to their carrying amount and are taken into account in determining surplus/(deficit) for the year.

f) Impairment of non-financial assets

At the end of each reporting period, the organisation reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

NOTES (CONTINUED)

2. Significant accounting policies (continued)

g) Biological assets - Fair value

Biological assets are measured at their fair value less estimated point-of-sale costs. The fair value is determined based on the present value of expected net cash flows discounted at the current market determined pre-tax rate.

Any changes to that fair value are recognised in the statement of income and expenditure in the year in which they arise. All costs of upkeep and maintenance are recognised in the statement of income and expenditure in the year in which they are incurred.

h) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

i) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into functional currency at rates ruling at the transaction dates. Assets and liabilities at the statement of financial position date which are expressed in foreign currencies are translated into functional currency at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the statement of income and expenditure in the year in which they arise.

j) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

At the end of each reporting period, the carrying amounts of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in the statement of income and expenditure.

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

k) Payables

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

l) Retirement benefit obligations

The organisation and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The organisation's contributions to the defined contribution scheme are charged to the statement of income and expenditure in the year to which they relate. The organisation has no further payment obligation once the contributions have been paid.

m) Comparatives

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

NOTES (CONTINUED)

	2016 Shs	2015 Shs
3. Income		
Donations	<u>10,637,327</u>	<u>3,183,478</u>
4. Other income		
Sale of furniture	-	63,000
Beads sales	79,976	277,560
Carpentry sales	69,101	-
Interest income	<u>538,446</u>	<u>114,138</u>
Total other income	<u>687,523</u>	<u>454,698</u>
5. Surplus/(deficit) for the year		
The surplus/(deficit) for the year is arrived at after charging:		
Depreciation on property and equipment (Note 8)	403,250	223,458
Auditors' remuneration		
- current year	100,000	69,600
- underprovision in the prior year	63,600	-
Repairs and Maintenance	52,845	73,350
Staff costs (Note 6)	<u>2,231,069</u>	<u>2,319,288</u>
6. Staff costs		
Salaries and wages	2,153,060	2,233,613
Other staff costs	48,409	56,875
Pension costs:		
- National Social Security Fund	<u>29,600</u>	<u>28,800</u>
	<u>2,231,069</u>	<u>2,319,288</u>
7. Finance costs		
Net foreign exchange loss	<u>184,446</u>	<u>95,971</u>

Naivasha Children's Shelter
Annual report and financial statements
For the year ended 31 December 2016

NOTES (CONTINUED)

8. Property and equipment

Year ended 31 December 2016

	Buildings Shs	Motor vehicles Shs	Furniture and fittings Shs	Office equipment Shs	Computer and accessories Shs	Total Shs
Cost						
At start year	9,558,446	1,000,000	633,613	1,582,157	177,680	12,951,896
Additions	-	-	113,000	180,160	-	293,160
At end of year	<u>9,558,446</u>	<u>1,000,000</u>	<u>746,613</u>	<u>1,762,317</u>	<u>177,680</u>	<u>13,245,056</u>
Depreciation						
At start of year as previously stated	-	566,205	514,768	1,229,630	150,796	2,461,399
Prior year adjustments:						
- Accumulated depreciation	<u>2,867,534</u>	-	-	-	-	<u>2,867,534</u>
At start of year as restated	2,867,534	566,205	514,768	1,229,630	150,796	5,328,933
Charge for the year	191,169	108,449	28,981	66,586	8,065	403,250
At end of year	<u>3,058,703</u>	<u>674,654</u>	<u>543,749</u>	<u>1,296,216</u>	<u>158,861</u>	<u>5,732,183</u>
Net book value 2016	<u>6,499,743</u>	<u>325,346</u>	<u>202,864</u>	<u>466,101</u>	<u>18,819</u>	<u>7,512,873</u>
Net book value 2015	<u>6,690,912</u>	<u>433,795</u>	<u>118,845</u>	<u>352,527</u>	<u>26,884</u>	<u>7,622,963</u>

In the opinion of the trustees, there is no impairment in the value of property and equipment.

NOTES (CONTINUED)

	2016	2015
	Shs	Shs
9. Biological assets		
Livestock	<u>190,000</u>	<u>190,000</u>
Reconciliation of carrying amount:		
At start of year	190,000	190,000
Fair value (loss)/gain	<u>-</u>	<u>-</u>
At end of year	<u>190,000</u>	<u>190,000</u>
10. Other receivables		
Deposits	10,000	10,000
Other receivables	<u>130,775</u>	<u>92,989</u>
	<u>140,775</u>	<u>102,989</u>

In the opinion of the directors, the carrying amounts of receivables approximate to their fair value.

	2016	2015
	Shs	Shs
11. Cash and cash equivalents		
Cash at bank and in hand	<u>12,747,877</u>	<u>7,662,239</u>

For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise the above.

12. Payables		
Trade Payables	299,917	199,125
Accruals	100,000	139,200
Other payables	<u>196,044</u>	<u>189,941</u>
	<u>595,961</u>	<u>528,266</u>

In the opinion of the directors, the carrying amounts of payables approximate to their fair value.

13. Taxation

The organisation is registered under the childrens Act No.8 of 2001 and is deemed to be exempt from tax on income. However the organisation has not obtained a tax exemption certificate from the Government of Kenya.

14. Registration

Naivasha Children's shelter is registered in Kenya under the childrens Act No.8 of 2001.

NOTES (CONTINUED)

15. Prior year adjustment

The following changes were made to the comparative figures for the year ended 31 December 2015.

The organisation was not recognising depreciation on buildings . Changes have been made to recognise the depreciation.

The effect of the above changes is increase/(decrease) of the account balances as detailed below.

	2015
	Shs
i) Retained earnings	(2,867,534)
ii) Accumulated depreciaton on buildings	2,867,534

16. Presentation currency

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

SCHEDULE OF EXPENDITURE

	2016	2015
	Shs	Shs
1. ADMINISTRATIVE EXPENSES		
Employment:		
Salaries and wages	2,182,660	2,262,413
Staff medical expenses	12,913	22,975
Other staff costs	35,496	33,900
Total employment costs	<u>2,231,069</u>	<u>2,319,288</u>
Other administrative expenses:		
Animal expense	85,425	81,030
Beads purchases	106,355	62,698
Biogas project	-	177,710
Cleaning and laundry expenses	19,828	40,205
Donations and gifts	-	18,900
Educations fees	715,584	518,046
Garden expense	123,385	89,479
Food and kitchen expense	942,885	809,007
Workshop expense	234,015	131,647
Postages and telephones	4,090	3,000
Printing and stationery	42,467	26,559
Travelling and accommodation	59,127	161,342
Audit fees		
- current year	100,000	69,600
- underprovision in the prior year	63,600	-
Bank charges	22,967	29,234
Vehicle running	74,816	44,000
General expenses	-	8,892
Social work	309,525	214,265
Fines and penalties	34,270	-
Total other administrative expenses	<u>2,938,339</u>	<u>2,485,614</u>
Total administrative expenses	<u>5,169,408</u>	<u>4,804,902</u>
2. OTHER OPERATING EXPENSES		
Establishment:		
Security expense	336,000	336,000
Electricity and water	166,426	181,463
Insurance	66,836	66,835
Rent and rates	-	120,000
Repairs and maintenance	52,845	73,350
Depreciation on property and equipment	403,250	223,458
Total other operating expenses	<u>1,025,357</u>	<u>1,001,106</u>