

**KICKSTART INTERNATIONAL, INC.**

**FINANCIAL STATEMENTS AS OF AND**

**FOR THE YEAR ENDED JUNE 30, 2006**

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## INDEPENDENT AUDITORS' REPORT

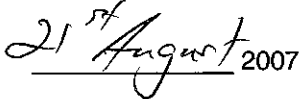
BOARD OF DIRECTORS  
KickStart International, Inc.

We have audited the accompanying statement of KickStart International, Inc. ("the corporation") showing the financial position as of June 30, 2006 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KickStart International, Inc. as of June 30, 2006 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

  
Certified Public Accountants of Kenya  
Nairobi, Kenya

  
21<sup>st</sup> August 2007

# KICKSTART INTERNATIONAL, INC.

## STATEMENT OF FINANCIAL POSITION JUNE 30, 2006

|   | Notes | 2006<br>US\$     | 2005<br>Restated<br>US\$ |
|---|-------|------------------|--------------------------|
| <b>ASSETS</b>                           |       |                  |                          |
| <b>Current assets</b>                   |       |                  |                          |
| Cash and cash equivalents               |       | 351,639          | 648,724                  |
| Investments                             |       | -                | 1,288                    |
| Accounts receivable and prepayments     | 3     | 367,483          | 207,167                  |
| Pledges receivable                      | 4     | 300,102          | 283,314                  |
| Inventories                             | 5     | 238,456          | 89,602                   |
|   |       | <hr/>            | <hr/>                    |
|   |       | 1,257,680        | 1,230,095                |
| <b>Non-current assets</b>               |       |                  |                          |
| Equipment                               | 6     | 274,819          | 297,290                  |
|   |       | <hr/>            | <hr/>                    |
| <b>Total assets</b>                     |       | <b>1,532,499</b> | <b>1,527,385</b>         |
| <b>LIABILITIES AND NET ASSETS</b>       |       |                  |                          |
| <b>Current liabilities</b>              |       |                  |                          |
| Accrued expenses and payables           |       | 314,484          | 155,246                  |
| Due to a related party                  | 9     | 15,000           | 93,882                   |
| Bank overdraft                          |       | 106,321          | -                        |
|   |       | <hr/>            | <hr/>                    |
|   |       | 435,805          | 249,128                  |
| <b>Non-current liabilities</b>          |       |                  |                          |
| Gratuity provision                      |       | 9,686            | 4,665                    |
| Due to a related party                  | 9     | 71,920           | 42,333                   |
|   |       | <hr/>            | <hr/>                    |
| Total non-current liabilities           |       | 81,606           | 46,998                   |
|   |       | <hr/>            | <hr/>                    |
| <b>Total liabilities</b>                |       | <b>517,411</b>   | <b>296,126</b>           |
| <b>Net assets</b>                       |       |                  |                          |
| Unrestricted                            |       | 543,579          | 1,149,039                |
| Temporarily restricted                  |       | 471,509          | 82,220                   |
|   |       | <hr/>            | <hr/>                    |
| <b>Total net assets</b>                 |       | <b>1,015,088</b> | <b>1,231,259</b>         |
|   |       | <hr/>            | <hr/>                    |
| <b>Total liabilities and net assets</b> |       | <b>1,523,499</b> | <b>1,527,385</b>         |
|   |       | <hr/>            | <hr/>                    |

# KICKSTART INTERNATIONAL, INC.

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

|                                  | Unrestricted<br>funds<br><br>US\$ | 2006<br>Temporarily<br>restricted<br>funds<br><br>US\$ | Total<br><br>US\$ | 2005<br>Restated<br><br>US\$ |
|----------------------------------|-----------------------------------|--|-------------------|------------------------------|
| <b>Revenue and other support</b> |                                   |  |                   |                              |
| <b>Sales</b>                     | 1,403,918                         | -  | 1,403,918         | 474,689                      |
| Less: Cost of goods sold         | (1,295,866)                       | -  | (1,295,866)       | (448,339)                    |
| <b>Gross margin</b>              | 108,052                           | -  | 108,052           | 26,350                       |
| <b>Contributions and grants</b>  |                                   |  |                   |                              |
| Foundations and trusts           | 576,786                           | 589,667  | 1,166,453         | 1,283,735                    |
| Individuals                      | 127,120                           | 200  | 127,320           | 143,212                      |
| Corporations                     | 1,033,847                         | 121,500  | 1,155,347         | 1,187,243                    |
| Governments                      | 31,889                            | 466,765  | 498,654           | 393,460                      |
| Contributed legal services       | 259,000                           | -  | 259,000           | 95,000                       |
| Awards and honoraria             | -                                 | -  | -                 | 5,250                        |
|                                  | 2,028,642                         | 1,178,132  | 3,206,774         | 3,107,900                    |
| <b>Other income</b>              |                                   |  |                   |                              |
| Sublease income                  | 13,792                            | -  | 13,792            | 10,613                       |
| Investment income                | 11,001                            | -  | 11,001            | 8,406                        |
| Sundry income                    | 47,656                            | -  | 47,656            | 72,361                       |
| Net exchange gain                | 33,645                            | -  | 33,645            | -                            |
|                                  | 106,094                           | -  | 106,094           | 91,380                       |
| <b>Total income</b>              | 2,242,788                         | 1,178,132  | 3,420,920         | 3,225,630                    |

**KICKSTART INTERNATIONAL, INC.**

**STATEMENT OF ACTIVITIES (continued)  
FOR THE YEAR ENDED JUNE 30, 2006**

|  | Unrestricted<br>funds<br>US\$ | 2006<br>Temporarily<br>restricted<br>funds<br>US\$ | Total<br>US\$ | 2005<br>Restated<br>US\$ |
|--|-------------------------------|--|---------------|--------------------------|
| <b>Total income*</b>                   | 2,242,788                     | 1,178,132  | 3,420,920     | 3,225,630                |
| <b>Expenditure</b>                     |                               |  |               |                          |
| <b>Program services</b>                |                               |  |               |                          |
| Kenya programs                         | 858,581                       | 153,732  | 1,012,313     | 1,145,306                |
| Tanzania programs                      | 275,878                       | 411,625  | 687,503       | 535,786                  |
| Mali programs                          | 33,220                        | 188,997  | 222,217       | 160,679                  |
| Africa headquarters programs           | 692,885                       | 20,450   | 713,335       | 164,165                  |
| Advocacy, education and other programs | 65,405                        | -  | 65,405        | 173,497                  |
|  | 1,925,969                     | 774,804  | 2,700,773     | 2,179,433                |
| <b>Support services</b>                |                               |  |               |                          |
| Management                             | 347,778                       | 14,039   | 361,817       | 188,098                  |
| Fundraising                            | 293,964                       | -  | 293,964       | 210,591                  |
| Contributed legal services             | 259,000                       | -  | 259,000       | 95,000                   |
|  | 900,742                       | 14,039   | 914,781       | 493,689                  |
| <b>Total expenses</b>                  | 2,826,711                     | 788,843  | 3,615,554     | 2,673,122                |
| <b>Change in net assets</b>            | (583,923)                     | 389,289  | (194,634)     | 552,508                  |
| <b>Net assets at beginning of year</b> | 1,149,039                     | 82,220   | 1,231,259     | 678,751                  |
| Decrease in foreign currency valuation | (21,537)                      | -  | (21,537)      | -                        |
| <b>Net assets at end of year</b>       | 543,579                       | 471,509  | 1,015,088     | 1,231,259                |

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# KICKSTART INTERNATIONAL, INC.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2006

|   | 2006           | 2005             |
|---|----------------|------------------|
|   | US\$           | Restated<br>US\$ |
| <b>Cash flows from operating activities:</b>  |                |                  |
| Decrease in net assets  | (194,634)      | 552,508          |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                |                  |
| Depreciation and amortization   | 204,175        | 184,669          |
| (Gain) loss on disposal of equipment  | -              | (5,574)          |
| Change due to currency valuation  | (21,537)       | -                |
| Changes in operating assets and liabilities:  |                |                  |
| Increase/(decrease) in accounts receivable  | (160,316)      | 3,931            |
| Increase in pledges receivable  | (16,788)       | (283,314)        |
| Increase in inventories   | (148,854)      | (34,331)         |
| Increase in prepaid expenses  | -              | (18,219)         |
| (Decrease)/Increase in related party balances   | (49,295)       | 3,156            |
| Increase in accrued expenses and payables   | 159,238        | 1,961            |
| Increase/(decrease) in gratuity provision   | 5,021          | (156)            |
|   | <hr/>          | <hr/>            |
| Net cash (used in)/generated from operations  | (222,990)      | 404,631          |
| <b>Cash flows from investing activities:</b>  |                |                  |
| Purchase of equipment   | (194,846)      | (231,163)        |
| Disposal of equipment   | 13,142         | 17,017           |
| Decrease in investments   | 1,288          | -                |
|   | <hr/>          | <hr/>            |
| Cash used in investing activities   | (180,416)      | (214,146)        |
| <b>Cash flows from financing activities:</b>  |                |                  |
| Borrowings repaid   | -              | (20,516)         |
|   | <hr/>          | <hr/>            |
| Cash used in from financing activities  | -              | (20,516)         |
| (Decrease)/increase in cash and cash equivalents  | (403,406)      | 169,969          |
| Cash and cash equivalents, beginning of year  | 648,724        | 478,755          |
| <b>Cash and cash equivalents, end of year</b>   | <b>245,318</b> | <b>648,724</b>   |
| <b>Represented by:</b>  |                |                  |
| Cash and cash equivalents   | 351,639        | 648,724          |
| Bank overdraft  | (106,321)      | -                |
|   | <hr/>          | <hr/>            |
|   | <b>245,318</b> | <b>648,724</b>   |

**KICKSTART INTERNATIONAL, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2006**

|                            | PROGRAM SERVICES |                   |                |                              |  | SUPPORT SERVICES       |                        |                |                        |                  |
|----------------------------|------------------|-------------------|----------------|------------------------------|--|------------------------|------------------------|----------------|------------------------|------------------|
|                            | Kenya programs   | Tanzania programs | Mali program   | Africa headquarters programs | Advocacy, education and other programs | Total program services | Management and general | Fundraising    | Total support services | Total expenses   |
|                            | US\$             | US\$              | US\$           | US\$                         | US\$                                   | US\$                   | US\$                   | US\$           | US\$                   | US\$             |
| Salaries and wages         | 266,138          | 309,691           | 125,925        | 411,117                      | 35,695                                 | 1,148,566              | 259,420                | 202,494        | 461,914                | 1,610,480        |
| Employee benefits          | 72,988           | 18,923            | 4,008          | 52,780                       | 3,376                                  | 152,075                | 18,862                 | 14,078         | 32,940                 | 185,015          |
| Payroll taxes              | 2,635            | -                 | 8,052          | 7,524                        | 2,777                                  | 20,988                 | 11,436                 | 10,661         | 22,097                 | 43,085           |
| Other employee expenses    | 27,617           | 14,052            | 15,538         | 1,270                        | 475                                    | 58,952                 | -                      | 175            | 175                    | 59,127           |
| Legal fees                 | -                | 6,435             | -              | -                            | -                                      | 6,435                  | 1,733                  | -              | 1,733                  | 8,168            |
| Other professional fees    | 14,702           | 4,252             | -1,318         | 2,201                        | -                                      | 19,837                 | 23,168                 | -              | 23,168                 | 43,005           |
| Marketing                  | 204,929          | 54,821            | 18,401         | 573                          | -                                      | 278,724                | -                      | 20             | 20                     | 278,744          |
| Supplies                   | 1,977            | 1,019             | 11,233         | 4,254                        | 680                                    | 19,163                 | 4,082                  | 2,687          | 6,769                  | 25,932           |
| Communications             | 32,442           | 22,613            | 910            | 28,687                       | 3,394                                  | 88,046                 | 1,817                  | 3,740          | 5,557                  | 93,603           |
| Occupancy                  | 29,775           | 36,803            | 1,112          | 38,826                       | 5,052                                  | 111,568                | 21,493                 | 18,087         | 39,580                 | 151,148          |
| Printing and publications  | 10,113           | 2,119             | -              | 11,820                       | 1,159                                  | 25,211                 | 1,377                  | 5,269          | 6,646                  | 31,857           |
| Travel and transportation  | 62,734           | 45,184            | 29,763         | 52,047                       | 9,695                                  | 199,423                | 7,878                  | 15,214         | 23,092                 | 222,515          |
| Vehicle operations         | 65,445           | 52,512            | 2,506          | 37,576                       | -                                      | 158,039                | -                      | 1,247          | 1,247                  | 159,286          |
| Equipment operation        | 2,401            | 56                | -              | 2,917                        | 21                                     | 5,395                  | 148                    | 16,962         | 17,110                 | 22,505           |
| Research & development     | 12,427           | 25,322            | -              | 32,474                       | -                                      | 70,223                 | -                      | -              | 0                      | 70,223           |
| Depreciation               | 119,696          | 82,005            | 835            | -                            | -                                      | 202,536                | 1,639                  | -              | 1,639                  | 204,175          |
| Bank charges               | 8,295            | 5,480             | 753            | 9,234                        | 262                                    | 24,024                 | 887                    | 2,529          | 3,416                  | 27,440           |
| Insurance                  | 1,062            | -                 | 258            | 1,838                        | 135                                    | 3,293                  | 614                    | 558            | 1,172                  | 4,465            |
| Other expenses             | 76,937           | 6,216             | 4,241          | 18,197                       | 2,684                                  | 108,275                | 7,263                  | 243            | 7,506                  | 115,781          |
| <b>Sub-total</b>           | <b>1,012,313</b> | <b>687,503</b>    | <b>222,217</b> | <b>713,335</b>               | <b>65,405</b>                          | <b>2,700,773</b>       | <b>361,817</b>         | <b>293,964</b> | <b>655,781</b>         | <b>3,356,554</b> |
| Contributed legal services | -                | -                 | -              | 142,985                      | 46,887                                 | 189,872                | 69,128                 | -              | 69,128                 | 259,000          |
| <b>Total</b>               | <b>1,012,313</b> | <b>687,503</b>    | <b>222,217</b> | <b>856,320</b>               | <b>112,292</b>                         | <b>2,890,645</b>       | <b>430,945</b>         | <b>293,964</b> | <b>724,909</b>         | <b>3,615,554</b> |



# KICKSTART INTERNATIONAL, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

### 1 ORGANIZATION

KickStart International, Inc. (KickStart or the "Corporation") is a not-for-profit corporation under the General Corporation Law of the State of Delaware and is domiciled in the State of California, United States of America.

Appropriate Technologies for Enterprise Creation (ApproTEC)- USA, Inc. was incorporated on December 15, 2000 and commenced operations in October 2001. On April 21, 2004 the corporation changed its name to Appropriate Technologies for Enterprise Creation - International, Inc. On May 23, 2005 the corporation changed its name to KickStart International, Inc.

The principal purpose of KickStart is to promote sustainable economic growth and employment creation in under-developed countries and/or areas and emerging economies. KickStart is engaged in fundraising to support its work in Africa; collaboration with universities and industries to improve methodologies and develop the next generation of technologies to support economic development in developing countries and raising public awareness about cost-effective models for economic development.

#### **Restructuring of KickStart**

The directors undertook a plan to restructure Appropriate Technologies for Enterprise Creation (ApproTEC), an affiliated entity of KickStart based in Africa. This resulted in the establishment of KickStart International, Inc. in Kenya and Tanzania, which assumed the assets (except land and buildings) and liabilities of ApproTEC effective July 1, 2005. The land and buildings remained under ApproTEC.

The consolidated financial statements, therefore include the following entities:

- KickStart International, Inc.;
- KickStart International, Inc in Kenya;
- KickStart International, Inc. in Tanzania; and
- Appropriate Technologies for Enterprise Creation (ApproTEC) in Africa.

This is the first year the financial statements of KickStart affiliated entities are being consolidated.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of accounting**

The accompanying financial statements have been prepared in accordance with the accounting policies of KickStart. These policies are consistent with accounting principles generally accepted in United States of America.

Revenues, expenses, gains and losses are recorded and classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor imposed restrictions. When donor imposed restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

#### **Basis of consolidation**

Other KickStart entities are entities over which the Corporation has the power to govern the financial and operating policies. The entities are fully consolidated from the date on which control is transferred to the Corporation. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions among the companies are cancelled out. Accounting policies of the entities have been changed where necessary to ensure consistency with the policies adopted by the Corporation.

## KICKSTART INTERNATIONAL, INC.

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Cash and cash equivalents**

Cash equivalents represent short-term, highly liquid investments with maturities of three months or less at the time of purchase.

##### **Investments**

Investments are recorded at fair value based principally upon quoted market values.

##### **Pledges receivable**

Unconditional promises to give, that are expected to be collected within one year, are recorded at net realizable value. Unconditional promises to give, that are expected to be collected in future years, are recorded at the present value of their estimated future cash flows.

##### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in first-out basis. Net realisable value represents the estimated selling price in the ordinary course of business, less selling expenses.

Specific provision is made for obsolete, slow moving and defective inventories.

##### **Advances**

Advances, which are held to maturity, are measured at amortized cost.

##### **Borrowings**

Loans, which are held to maturity, are measured at amortized cost.

##### **Equipment**

Equipment is stated at cost less accumulated depreciation.

##### **Work in progress**

Work in progress represents property in the course of construction. It is carried at cost, less any recognised impairment cost. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

##### **Revenue and support**

###### *Contributions*

Contributions are recognized when a written unconditional promise to give has been received or upon receipt.

###### *Other revenue and support*

Other revenue and support is recognized on the accruals basis.

##### **Expenses**

All expenses are recognized on the accruals basis.

## **KICKSTART INTERNATIONAL, INC.**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

#### **2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **Depreciation**

Depreciation is calculated on the straight line basis to write off the cost of equipment over their expected useful lives. The useful lives are:

|                        |             |
|------------------------|-------------|
| Motor vehicles         | 4 years     |
| Workshop machinery     | 4 years     |
| Computers              | 3 1/3 years |
| Software               | 5 years     |
| Furniture and fixtures | 8 years     |
| Equipment              | 8 years     |

##### **Foreign currencies**

Monetary assets and liabilities expressed in foreign currencies are translated into United States dollars at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies during the year are translated at the rates ruling on the dates of the transactions. The resulting gains or losses are included in the statement of activities.

##### **Tax - exempt status**

On September 20, 2001, it was determined that the organization qualifies as a tax-exempt organization under Section 501(c)(3) of the United States Internal Revenue Code and corresponding provisions of the State of California law and, accordingly, is not subject to federal or state income taxes.

As of the date of this report, KickStart had not received tax exempt status in Kenya or Tanzania. The tax calculations reflected in each affiliate entity's respective accounts confirm there was no tax liability for 2006, the fiscal year in which they were established.

**KICKSTART INTERNATIONAL, INC.**

|                             | <b>2006</b> | <b>2005</b>              |
|-----------------------------|-------------|--------------------------|
|                             | <b>US\$</b> | <b>Restated<br/>US\$</b> |
| <b>3</b>                    |             |                          |
| <b>ACCOUNTS RECEIVABLES</b> |             |                          |
| Trade receivables           | 216,154     | 136,145                  |
| Staff loans and advances    | 91,673      | 21,797                   |
| Other receivables           | 59,656      | 49,225                   |
|                             | <hr/>       | <hr/>                    |
|                             | 367,483     | 207,167                  |
|                             | <hr/>       | <hr/>                    |

Included in other receivables is US\$4,233 (2005: US\$4,233) pledged to secure borrowings granted to one of the Corporation's dealers.

|  |         |          |
|--|---------|----------|
| <b>4</b>   |         |          |
| <b>PLEDGES RECEIVABLE</b>  |         |          |
| Unconditional promises to give at June 30 include the following: |         |          |
| Gross amounts due in less than one year                          | 305,000 | 305,000  |
| Less: discount to present value                                  | (4,898) | (21,686) |
|  | <hr/>   | <hr/>    |
|  | 300,102 | 283,314  |
|  | <hr/>   | <hr/>    |

|                    |         |        |
|--------------------|---------|--------|
| <b>5</b>           |         |        |
| <b>INVENTORIES</b> |         |        |
| Raw materials      | 8,250   | 8,726  |
| Finished goods     | 230,206 | 80,876 |
|                    | <hr/>   | <hr/>  |
|                    | 238,456 | 89,602 |
|                    | <hr/>   | <hr/>  |

**KICKSTART INTERNATIONAL, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**6 EQUIPMENT**

|                           | <b>Motor<br/>vehicles<br/>US\$</b> | <b>Workshop<br/>machinery<br/>US\$</b> | <b>Computers<br/>and<br/>software<br/>US\$</b> | <b>Equipment<br/>US\$</b> | <b>Furniture<br/>and<br/>fixtures<br/>US\$</b> | <b>Land &amp;<br/>Buildings<br/>US\$</b> | <b>Total<br/>US\$</b> |
|---------------------------|------------------------------------|--|--|---------------------------|--|--|-----------------------|
| <b>COST</b>               |                                    |  |  |                           |  |  |                       |
| At July 1, 2005           | 473,860                            | 11,877                                 | 130,422  | 147,112                   | 53,649   | 65,218                                   | 882,138               |
| Additions                 | 151,597                            | -                                      | 19,466   | 21,971                    | 1,812  | -  | 194,846               |
| Disposals                 | (33,948)                           | (88)                                   | (30,909)                                       | (32,197)                  | (6,558)  | -  | (103,700)             |
| At June 30, 2006          | 591,509                            | 11,789                                 | 118,979  | 136,886                   | 48,903   | 65,218                                   | 973,284               |
| <b>DEPRECIATION</b>       |                                    |  |  |                           |  |  |                       |
| At July 1, 2005           | 343,902                            | 11,003                                 | 113,814  | 79,660                    | 36,469   | -  | 584,848               |
| Charge for the<br>year    | 150,608                            | 871                                    | 32,532   | 14,481                    | 5,683  | -  | 204,175               |
| Disposals                 | (32,828)                           | (85)                                   | (28,621)                                       | (24,289)                  | (4,735)  | -  | (90,558)              |
| At June 30, 2006          | 461,682                            | 11,789                                 | 117,725  | 69,852                    | 37,417   | -  | 698,465               |
| <b>NET BOOK<br/>VALUE</b> |                                    |  |  |                           |  |  |                       |
| At June 30, 2006          | 129,827                            | -                                      | 1,254  | 67,034                    | 11,486   | 65,218                                   | 274,819               |
| At June 30, 2005          | 129,958                            | 874                                    | 16,608   | 67,452                    | 17,180   | 65,218                                   | 297,290               |

# KICKSTART INTERNATIONAL, INC.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 7 LEASES

KickStart is committed under non-cancellable operating leases (with initial or remaining lease terms in excess of one year) for its business premises. Total rent expense associated with these leases was \$46,163 for the year ended June 30, 2006. Future minimum lease payments are as follows:

| Year ending<br>June 30 | US\$           |
|------------------------|----------------|
| 2007                   | 54,528         |
| 2008                   | 56,723         |
| 2009                   | 53,430         |
| 2010                   | -              |
| 2011                   | -              |
|                        | <u>164,681</u> |

### 8 RETIREMENT BENEFIT OBLIGATIONS

The Corporation operates a defined contribution pension plan for its employees in Kenya. The assets of the pension plan are administered independently by Insurance Company of East Africa. The plan is funded by contributions from both the employees and the Corporation. During the year ended June 30, 2006, the Corporation contributed \$53,146 to the plan.

The Corporation operates an in-house gratuity plan for its employees in the Tanzania office. These contributions are not invested nor managed as a separate fund but are self funded and are fully provided for in the Corporation's financial statements.

The Corporation contributes to the statutory National Social Security Funds both in Kenya and Tanzania. These are defined contribution plans registered under local statute in each country. The Corporation's obligations under the plans are limited to specific contributions legislated from time to time and are currently at \$3 per employee per month in Kenya and 10% of gross pay of each employee in Tanzania.

During the year ended June 30, 2006, the Corporation contributed \$7,307 to the in-house gratuity plan and \$67,504 to the statutory plans in Kenya and Tanzania.

### 9 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

|  | 2006<br>US\$  | 2005<br>US\$   |
|--|---------------|----------------|
| Amount due to Chief Executive Officer: |               |                |
| Current                                | 15,000        | 93,882         |
| Non current                            | 71,920        | 42,333         |
|  | <u>86,920</u> | <u>136,215</u> |
|  | =====         | =====          |

# KICKSTART INTERNATIONAL, INC.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

During the year ended June 30, 2006, the following transactions were carried out with related parties:

Contributions from organizations associated with members of the board of directors:        \$1,125,000

### 10 GRANT BY JOHN DEERE FOUNDATION

During the year ended June 30, 2005, John Deere Foundation announced plans to donate \$3 million to KickStart over three years. \$1 million was received during the years ended June 30, 2005 and 2006. The balance of \$1 million will be received in the year ending June 30, 2007. The future contribution has not been recognized in these financial statements.

### 11 CONTINGENT LIABILITY

Guarantee facility offered by Standard Chartered Bank Limited for expatriate staff work permits, secured by lien over a sundry deposit of same amount included in cash and bank balances.

|                         | <b>2006</b> | <b>2005</b> |
|-------------------------|-------------|-------------|
|                         | <b>US\$</b> | <b>US\$</b> |
| Standard Chartered Bank | 7,181       | 7,181       |
|                         | =====       | =====       |

### 12 COMPARATIVES

The comparatives have been restated to take into consideration the financial statements of KickStart affiliated entities described in Note 1 (KickStart International, Inc., KickStart International, Inc in Kenya, KickStart International, Inc. in Tanzania, and Appropriate Technologies for Enterprise Creation in Africa) and also to include a change in accounting method for depreciation from reducing balance basis to strait line basis.

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