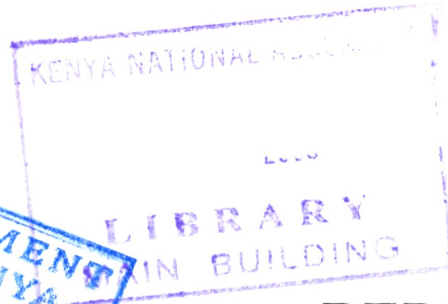


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**REPORT  
OF  
THE CONTROLLER  
AND AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
SPORTS STADIA MANAGEMENT  
BOARD FOR THE YEAR ENDED 30  
JUNE 2007**

KENYA NATIONAL AUDIT OFFICE  
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REGISTRY HEADQUARTERS

**SPORTS STADIA MANAGEMENT BOARD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2007**

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# **CHAIRMAN'S REPORT**

## **Corporate Governance**

Corporate Governance is the process by which organizations are directed and controlled with the objective of increasing stakeholders' value. It is the manner in which the power of a corporation is exercised in the stewardship of its total portfolio of assets and resources with the primary objective of increasing stakeholders' value.

The Board has adopted the Code of Best Practice for corporate governance as its benchmark in developing corporate governance principles. The Board has in place a Charter and a Code of Ethics.

Our core values of Excellence, Customer Focus, Team Work, Integrity, Dedication and Dynamism govern our operations as we apply them in dealing with employees, customers, suppliers and other stakeholders.

## **Board Matters**

The Board consists of a fifteen directors including a non-executive Chairman and the Chief Executive Officer. The full Board of Directors held six meetings during the year while Board sub-committees held twelve (12) meetings. Dates of the meetings are scheduled annually at the beginning of the year.

The Board has the following Sub-committees:

### **Audit Committee**

Chairman - P. T. Maina, G. Oluoch, M. Mugwe and J. Okuthe.

### **Finance Committee**

Chairman - M. Mugwe, S. Wa Sanja, L. Gitundu, G. Oluoch and S. Mugacha.

### **Human Resource Committee**

Chairman - W. Mukuria, S. Wa Sanja, M. Githaiga, B. Abwao, M. Ahmed.

### **Technical Committee**

Chairman - S. M. Mugacha, G. Oluoch, J. Okuthe, I. Kiplagat, A. Munano.

Treasury guidelines require that directors are paid sitting allowances for every meeting attended, as well as travel and accommodation allowance while on

Board duties and the Chairman be paid a monthly honoraria. The guidelines are applied.

### **Strategic Plan**

Early in the year the Directors and management attended a two day retreat where the strategic plan for 2006/2009 was formulated. This plan guided our operations during the year and is our road map towards achieving world class standards in our facilities.

### **Performance Contract**

In July the Board signed a Performance Contract with the Government and I'm pleased to report that all indications are that this year's performance will be well above the previous year.

### **Financial Performance**

The Board has reported a surplus of Kshs. 20,030,045.82 which is an improvement over last year's deficit of Kshs. 3,603,877.94. This excellent performance is attributed to the hard work of the management and staff under the guidance of the Board of Directors.

### **Sports and Environment**

We at Stadia have embraced the concept of "green sports" and are committed to keeping a clean and green environment in all our facilities and through sports we continue to promote environmental conservation. During the year we established a "Hero's Acre" at Moi International Sports Centre where our sportsmen who attend training camps at our facilities and medal winners will be expected to plant a tree in commemoration. Various dignified guests at the World Social Forum including Prof. Wangari Maathai planted trees at this site. The Board is in the process of acquiring ISO 14000 standard.



Joe Kotonya Aketch  
Chairman

## **THE CHIEF EXECUTIVE OFFICER'S REPORT**

The Sports Stadia Management Board was established via legal Notice No. 180 of 15<sup>th</sup> November, 2002.

### **FUNCTIONS OF THE BOARD**

The Board is charged with the following responsibilities:-

- (a) Manage and maintain sports facilities effectively and efficiently.
- (b) Market the available sports facilities and maximize their utilization.
- (c) Determine competitive charges for the use of sports facilities in Kenya.
- (d) Collect fees and charges arising from the use of sports facilities.
- (e) Liaise with the City Council of Nairobi and other local authorities and companies for timely and efficient service delivery.
- (f) Account for all receipts accruing from the Sports facilities.
- (g) Plan and implement the expansion of existing sports facilities and development of new ones.
- (h) Raise its own funds in running its activities to activities and functions.

### **VISION**

"To be the preferred sport and recreational hosts in the region".

### **MISSION**

"To manage and develop and market sporting and recreational facilities to the satisfaction of stakeholders".

### **VALUES**

- Teamwork
- Dedication
- Integrity
- Customer Focus
- Excellence

## REVENUE GENERATION

During this year, the financial target for revenue generation was Kshs. 125 million. The actual result achieved was Kshs. 113.38 million. The hostel bed occupancy has surpassed the target of 60%. The conferencing facilities surpassed the target of 13%. A number of factors contributed to the successes and the deficit realised. These are

- There were three international football matches namely, Kenya Vs Eritrea, Kenya Vs Swaziland and Kenya Vs Nigeria.
- The World Social Forum which attracted over 40,000 delegates. During this period the entire facility was fully booked for almost a month.
- The All Africa games contingent which was in camp for 1 month residential training.
- Increased seminar and conferencing business
- The Sawa Sawa reggae festival which saw up to 70,000 fans turn up.
- Increased revenue emanating from the housing estate which is now under the Board's control.
- Additional rental space at Nyayo Stadium opening up after Dept. of Social Services vacated the premises.
- A host of other numerous events like the Celtel Africa Challenge, graduation ceremonies and Tianshi awards ceremony amongst others

The naming rights with a target of Kshs.10 million were a non performer due to the pending cabinet approval on transfer of assets. However separately branding of Nyayo stadium was successfully done with a possibility of increased revenue in the future.

The Board embraced the Rapid Results Initiative (RRI) process and the major project undertaken this year was the upgrading of the hostel which included replacement of 216 beds, front office repairs new kitchen equipment and landscaping.

Several cost cutting initiatives were made for example the boiler repairs which will eventually reduce fuel consumption and ensure hot water throughout the facilities. There was also increased usage of incandescent bulbs at the aquatic stadium.

## **SERVICE DELIVERY**

The service charter was developed and dissemination to managers and staff done. Training has been conducted to staff and printed copies for distribution to the public are being prepared. A survey was also done and concluded.

The customer satisfaction survey indicated that most customers rate our service as good value for money. A number of issues pointed out by clients relating to the facilities were addressed in the RRI project.

Within the Reservations Department a hospitality system was installed to improve efficiency in facility bookings. Front office operations were also initiated at the Stadion, where all guests are now received at the main reception

## **MARKETING RESEARCH**

The Board undertook a market research to explore and gain deep insight into the market dynamics governing the business in order to support market development. There has been negative public perception regarding the state of our facilities. In summary the research recommended that SSMB:-

- Communicates the current state of its facilities to the public to inspire public confidence and help reduce historic negative associations.
- Develops specific communications to capitalize on the patriotic feelings evoked by the facilities.
- Segment the market by demographics (age, residence etc), psychographics (lifestyles, values), customer type and usage as the key basis of segmentation.

## **OPERATING LEGAL FRAMEWORK**

### **Need for Review**

The need to review the Legal Notice has resulted more specifically because there is need to: -

- ◆ Adopt and institutionalize current corporate governance principles.

- ◆ Correct the inadequacy of the legal instruments in providing for the mandate of the Board.
- ◆ Establish legal relationship with other sporting and recreational facility owners.
- ◆ Need to provide new and sustainable sources of revenue to fund the Board's operations as the sole national body empowered to address the maintenance rehabilitation, development and regulations of sports facilities.

### **New Mandate**

The review of the legal Notice 180 seeks to replace the same with a comprehensive Act of Parliament, which gives Stadia the capacity to do the following among others: -

- Develop the institution of a Stadia levy
  - This development levy enables SSMB to finance the development and rehabilitation of all Stadia in the nation.
- Development agency relationship with other Stadia and recreational owners including local authorities, institutions of higher learning, members clubs etc.
- Acquisition of Authority to develop standards of operations and enforce the standards
- Extend frontiers for next generation programs including event sponsorship, media broadcasts, naming rights and other new modes of marketing

### **RISK MANAGEMENT**

The Board recognizes risk management as an integral part of Internal Control and systematically engages in identifying, evaluating and communicating risks that may adversely affect its operations. A Risk Assessment Manual is in now place.

### **INTERNAL CONTROLS**

The Board has defined procedures and financial controls to ensure reporting of complete and accurate accounting information. These cover systems for approval to spend and ensuring compliance with statutory



obligations and laws. Procedures are also in place to ensure Assets are properly safeguarded. This has been achieved by training the Accounts Staff on processing of all transactions through the Pastel Accounting package version 7 by ensuring service level agreements by the provider.

Enforcement of our Credit Policy in place has enhanced debt collection by ensuring down payments from most of the customers and upfront payments from errant customers.

### ICT

Automation took center stage and the following realizations are observable:

An enhanced Local Area Network was designed and implemented linking the Head Office with all areas of Board operations including Nyayo Stadium.

A hospitality booking system was procured, customized and users trained. An intranet site (<http://sportsstadia/sportsstadia>) was designed and deployed.

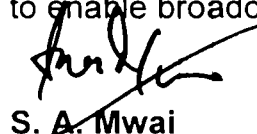
[www.stadiumskenya.co.ke](http://www.stadiumskenya.co.ke) website underwent redesigning and is now reopened.

Expansion of telecommunication services by installation of a new digital PABX at Nyayo Stadium integrated with the one at Head Office with two wireless numbers (Popote and Telkom wireless).

### NEW BUSINESS OPPORTUNITIES

Early in the year 2007 the Chairman, Chief Executive Officer accompanied by two Board members visited South Africa and were able to establish relations with the organizers of the Soccer World Cup 2010. The intention being to introduce our sporting facilities and their suitability as training venues for qualified teams for the World Cup. It is to be noted that during the year Ghana, Cameroon and Nigeria, all World Cup sides, used the facilities at Moi International Sports Centre in their build up for World Cup and Africa Cup of Nations Qualifiers.

The Board also took the initiative to apply and was granted a radio license to establish a Sports Radio Station and has since applied for a frequency to enable broadcasting.



**S. A. Mwai**  
Chief Executive Officer

**SPORTS STADIA MANAGEMENT BOARD**  
**BOARD OVERVIEW ON THE FINANCIAL**  
**YEAR ENDED 30TH JUNE 2007**

The Sports Stadia was established Vide the Sports Stadia Management Board Order 2002, Legal Notice No.180 of 2002 under the State Corporation Act Cap 446.

**Our Vision Statement:**

" To be the preferred Sports and Recreational Hosts in the region"

**Our Mission Statement:**

" To manage,develop and market sporting and recreational facilities to the satisfaction of stakeholders"

**Our Corporate Values:**

Sports Stadia Management Board belives in an organisation whose people strongly upholds the following corporate values:

- (i) Team work
- (ii) Dedication
- (iii) Integrity
- (iv) Customer focus
- (v) Excellence

**SPORTS STADIA MANAGEMENT BOARD**  
**BOARD MEMBER'S REPORT ON THE**  
**FINANCIAL YEAR ENDED 30TH JUNE 2007**

The Board Members have the pleasure in submitting their annual reports with financial statements for the year ended 30th June 2006 which disclose the state of affairs of the Board.

**PRINCIPAL ACTIVITIES:**

The principal activity of the Board is to manage all government owned sports facilities effectively and efficiently.

**RESULTS:**

There was a surplus in the year of Ksh. 20,030,045.82

**BOARD MEMBERS:**

The present Board Members are set out on page 11

**AUDITORS:**

The Controller and Auditor General continue in office in accordance with Public Audit Act 2003.

**BY ORDER OF THE BOARD**



S.A. Mwai

Chief Executive Officer

**SPORTS STADIA MANAGEMENT BOARD**  
**BOARD INFORMATION:**  
**AS AT 30TH JUNE 2007**

**MEMBERS OF THE BOARD:**

**NAME:**

J. K. Aketch	Chairman
S.A. Mwai	Secretary to the Board
I. Kiplagat	Director - Athletics Kenya
M. Mugwe	Director - Kenya Association of Manufacturers
A. Munano (Ms.)	Director - Ministry of Roads and Public Works
B. Abwao	Director - Ministry of Education
S. Wa Sanja	Director - Ministry of Gender
G. Oluoch	Director - Commissioner of sports
J. Okuthe	Director - Kenya National Sports council
S.M. Mwangi	Director
P.T. Maina	Director
M. Ahmed	Director
M. Githaiga (Ms.)	Director - Attorney General
L. W. Gitundu (Ms.)	Director - Ministry of Finance
W. Mukuria	Director - F.K.E.

**MANAGEMENT**

S.A. Mwai	Chief Executive Officer
G. Komora	Deputy Director, Technical Services
K. Afwande	Assistant Director, Human Resource & Administration
R. Kigen	Assistant Director, Property Services
F. Githaiga	Assistant Director, Finance
R. Olonde	Internal Auditor

**REGISTERED OFFICE AND PLACE OF WORK:**

Moi International Sports Centre  
Off Thika Road  
P.o. Box Private Bag

**KASARANI,**

**NAIROBI.**

**AUDITORS:**

Controller and Auditor General  
P o Box 30084,

**NAIROBI**

**BANKERS:**

Standard Chartered Bank Kenya Ltd  
P o Box 32866-00600

**NAIROBI**

**SPORTS STADIA MANAGEMENT BOARD**  
**STATEMENT OF BOARD MEMBER'S RESPONSIBILITY ON**  
**THE REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 TH JUNE 2007**

The State Corporation's Act requires the Board Members to prepare financial statements for each financial year that gives a true and fair view of the state of affairs of the Board as at the end of the financial year and of the Income and Expenditure Account for the year then ended. It also requires the Board Members to ensure that the Board keeps proper accounting records that disclose, with reasonable accuracy, at any time, the financial position of the Board.

The Board Members accept the responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards. The Board Members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Board and its operating activities. The Board Members further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal control.

Nothing has come to the attention of the Board Members to indicate that the Board will not remain a going concern for at least twelve months from the time of this statement.



Chairman



Chief Executive Officer



## **KENYA NATIONAL AUDIT OFFICE**

### **REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF SPORTS STADIA MANAGEMENT BOARD FOR THE YEAR ENDED 30 JUNE 2007**

I have audited the financial statements of Sports Stadia Management Board set out on pages 13 to 23 which comprise the balance sheet as at 30 June 2007 and the income and expenditure account, the statement of changes in equity and the cash flow statement for the year then ended together with a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit. The financial statements are in agreement with the books of account.

#### **Board's Responsibility for the Financial Statements**

The Board is responsible for the preparation of financial statements which give a true and fair view of the Corporation's state of affairs and its operating results in accordance with the International Financial Reporting Standards. 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; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Responsibility of the Controller and Auditor General**

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall representation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

## **1.0 Motor Vehicle, Plant and Equipment**

### **1.1 Sports Stadia Facilities**

As previously reported, the balance sheet as at 30 June 2007 reflects a balance of Kshs.17,223,632.88 under motor vehicles, plant and equipment. According to legal notice No.180 dated 15 November 2002, creating the Board, the Board's mandate is to, amongst others, manage the country's stadia sports facilities, plan and implement the expansion of existing sports facilities and develop new ones. It is, however, not clear whether these provisions confer ownership of these facilities to the Board. Consequently the balance sheet excludes the undetermined value of these sports facilities. According to the management, the sports facilities and other assets have not been transferred to the Board because the cabinet has not made a decision on this matter.

### **1.2 Motor Vehicles**

The Board's motor vehicle registration number GK 710 and tractor registration number GK Q581 do not have log books and their ownership could not therefore be confirmed. It is not clear why management has not obtained the log books.

### **1.3 Tartan Carpeting Development and Irrigation Equipment**

The balance sheet motor vehicles, plant and equipment figure of Kshs.17,223,632.88 also excludes the undetermined value of Tartan Carpeting Development and Irrigation Equipment Project at Nyayo National Stadium donated by the International Athletics Association Federation (I.A.A.F.) and completed during the year 2005. In view of the matters mentioned above, it has not been possible to confirm the correctness of the balance sheet amount as at 30 June 2007.

### **1.4 Depreciation**

Depreciation charge for the year was calculated using the straight line method while the notes to the accounts indicate the reducing balance method contrary to International Financial Reporting Standards that require consistency. In view of the foregoing I am unable to confirm that the balance sheet motor vehicles, plant

and equipment balance of Kshs.17,223,632.88 is fairly stated as at 30 June 2007.

**Opinion**

Except for the foregoing reservations, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of affairs of the Board as at 30 June 2007 and of its surplus and cash flows for the year then ended in accordance with the Sports Stadia Management Board Order, 2002.



**P. N. KOMORA, C.B.S  
CONTROLLER AND AUDITOR GENERAL**

Nairobi

30 January 2008



**SPORTS STADIA MANAGEMENT BOARD**  
**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 30TH JUNE 2007**

INCOME:	Notes:	2006/2007 Kshs.	2005/2006 Kshs.
Grants	2	79,000,000.00	87,237,458.00
Rent		26,496,276.50	5,409,343.30
Hire of facilities		21,899,290.00	16,846,147.75
Hotel income		66,843,780.20	29,214,806.25
Gate takings	12	912,026.00	554,113.00
Advertising		6,240,000.00	5,864,200.00
Miscellaneous		226,789.35	1,090,335.00
Sale of tender documents		1,116,000.00	1,236,290.00

**TOTAL INCOME:**

**202,734,162.05**

**147,452,693.30**

**EXPENDITURE:**

Salaries and wages		64,926,234.30	61,053,613.35
Medical expenses		44,544.00	184,745.60
Meetings conf. & directors allowances		6,131,397.10	2,268,004.00
Training		2,130,489.64	962,587.20
Official entertainment		1,343,268.00	269,973.00
Casual wages		12,549,639.07	4,441,279.50
Transport operating		3,572,575.96	2,445,762.44
Local Travel		2,551,064.22	1,180,839.30
Travel abroad		3,476,253.68	498,505.30
Postage		12,250.00	21,230.00
Telephone & internet		2,453,709.41	2,647,594.91
Marketing		5,143,261.59	425,911.40
Stationery, photocopy & printing		1,678,313.25	2,045,644.53
Advertising		1,530,927.95	1,200,827.81
Contracted Services		4,286,397.50	5,044,005.09
Motorvehicle insurance		162,180.00	464,820.00
General Insurance		767,531.00	55,462.00
Electricity		10,841,115.40	12,944,835.20
Water and Conseqvancy		2,398,929.84	2,510,800.00
Office cleaning & materials		1,550,616.23	509,458.07
Fungicides, sprays & chemicals		1,695,841.18	1,137,441.69
Security Services		9,629,605.73	5,132,298.74
Uniforms		488,274.37	1,314,603.40
Food Purchases		12,055,938.25	10,323,558.70
Gas fuel		2,157,425.00	2,245,263.70
Hotel Expenses		2,523,804.32	1,008,761.42
Computer expenses		909,378.00	353,668.00
Office refurbishment		140,503.36	136,322.40
Maintainance Plant & Equipment		2,972,652.33	829,032.05
Building & stadia facilities		11,960,372.65	22,791,072.68
Bank Charges		821,098.75	526,604.55
Depreciation	3	4,267,767.29	3,502,731.91
Rapid response initiative		1,114,000.00	
Sales commission		291,575.50	
Medical insurance		2,756,451.76	
Nssf- employers contribution		300,600.00	
Subsriptions		546,129.60	
Audit fee		522,000.00	
Miscellaneous expenses			579,313.30

**TOTAL EXPENDITURE:**

**182,704,116.23**

**151,056,571.24**

**SURPLUS / (DEFICIT)**

**20,030,045.82**

**(3,603,877.94)**

**SPORTS STADIA MANAGEMENT BOARD**  
**BALANCE SHEET**  
**AS AT 30.06.07**

<b><u>ASSETS:</u></b>	<b><u>Notes</u></b>	<b><u>2006/2007</u></b>	<b><u>2005/2006</u></b>
<b><u>Non-Current Assets</u></b>			
		<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
Motor Vehicles, Plant and Equipments	3	<u>17,223,632.88</u>	<u>11,938,793.80</u>
 <b><u>Current Assets:</u></b>			
Stocks	4	6,565,033.45	6,336,403.72
Debtors and Prepayments	5	87,017,638.31	28,798,712.73
Cash & Bank Balance	6	<u>30,134,275.95</u>	<u>32,720,982.66</u>
		<u>123,716,947.71</u>	<u>67,856,099.11</u>
<b>Total Assets</b>		<b>140,940,580.59</b>	<b>79,794,892.91</b>
 <b><u>EQUITY AND LIABILITIES:</u></b>			
<b><u>Equity:</u></b>			
Accumulated Funds	7	<u>80,704,948.49</u>	<u>62,575,658.81</u>
 <b><u>Current Liabilities:</u></b>			
Creditors and Accruals	8	38,458,686.95	17,219,234.10
Grant - Fencing	9	18,030,728.00	
Cash and Bank Balance	6	<u>3,746,217.15</u>	
		<u>60,235,632.10</u>	
<b>Total Equity and Liabilities</b>		<b>140,940,580.59</b>	<b>79,794,892.91</b>

The financial statements were approved by the Board Members on.....and signed on its behalf by:

Chairman

Chief Executive Officer

**SPORTS STADIA MANAGEMENT BOARD**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30TH JUNE 2007**

	Notes	Accumulated Funds Kshs	Total  (Kshs.)
<b>Year ended 30 th.June 2006</b>			
At start of the year		66,179,536.25	66,179,536.25
Prior year adjustment		-	-
Surplus for the year	7	(3,603,877.44)	(3,603,870.44)
<b>At the end of the year</b>		<b>62,575,658.81</b>	<b>62,575,658.81</b>
<b>Year ended 30 th.June 2007</b>			
At start of the year		62,575,658.81	62,575,658.81
Prior year adjustment		1,900,756.14	1,900,756.14
Surplus for the year	7	20,030,045.82	20,030,052.82
<b>At end of the year</b>		<b>80,704,948.49</b>	<b>80,704,948.49</b>

**SPORTS STADIA MANAGEMENT BOARD**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30TH JUNE 2007**

		2006/2007	2005/2006
	Notes	(Kshs.)	(Kshs.)
<b>Cash flow from operating activities</b>			
Surplus for the year	7	20,030,045.82	(3,603,877.44)
Adjustments for:			
Prior year adjustments		(1,900,756.14)	
Depreciation for the year	3	<u>4,267,767.29</u>	<u>3,502,731.91</u>
<b>Operating surplus before working capital changes</b>		<b>22,397,056.97</b>	<b>(101,145.53)</b>
(Increase)/Decrease in Stocks	4	(228,629.73)	(3,707,445.33)
(Increase)/Decrease in Debtors	5	(58,218,925.58)	(3,712,980.13)
Increase/(Decrease) in creditors	8	<u>19,385,584.19</u>	<u>15,052,768.05</u>
<b>Net Cash flow from operating activities</b>		<b>(16,664,914.15)</b>	<b>7,531,197.06</b>
<b>Cash flow from investing activities</b>			
Purchase of fixed assets	3	<u>(7,626,737.71)</u>	<u>(2,773,057.55)</u>
<b>Net Cash flow from investing activities</b>		<b>(7,626,737.71)</b>	<b>(2,773,057.55)</b>
<b>Cashflow from financing activities</b>			
Grant prepaid	9	18,030,728.00	
<b>Net decrease in cash equivalents</b>		<b>(6,332,923.86)</b>	<b>4,758,139.51</b>
Cash and cash equivalents at the start of the year		32,720,982.66	27,962,843.15
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>6</b>	<b>26,388,058.80</b>	<b>32,720,982.66</b>

**SPORTS STADIA MANAGEMENT BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2007**

**Accounting Policies**

The Principal accounting policies adopted in the preparation of the financial statements are set out below:

(a) **Basis of preparation**

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements are prepared in Kenya Shillings (Shs) under the historical cost convention.

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

(b) **Income Recognition**

(i) Income is recognized when it is earned.

(ii) Government Grants are recognized on time basis contained in the approved national budget for each fiscal year.

(c) **Translation of Foreign Currencies**

Translation in foreign currencies during the year is converted into Kenya shillings at rates ruling at the transaction dates.

(d) **Property, Plant and Equipments**

Property, plant and equipment is stated at historical cost less accumulated depreciation. Depreciation is calculated on reducing balance basis to write down the cost of each asset to their residual values over their estimated useful life as follows:

(i)	Motor Vehicles	25%
(ii)	Plant & Equipment	37.5%
(iii)	Office Equipment & Computers	30%
(iv)	Furniture	12.50%
(v)	Buildings	2%

Equipment, furniture and fittings are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

**SPORTS STADIA MANAGEMENT BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2007**

Gains and losses on disposal of equipment, furniture and fittings are determined by reference to their carrying amount and are taken into account in determining the surplus/deficit for the year.

(e) Inventories

Inventories are stated at lower of cost and net realizable value. Net realizable value is the estimate of the selling price in ordinary course of business, less the selling price.

(f) Cash and Cash equivalent

For purposes of the cash flow statements, cash and cash equivalents comprise cash in hand, deposits at the bank and 91 day treasury bills.

**SPORTS STADIA MANAGEMENT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2007**

**1 PRINCIPAL ACTIVITY:**

The principal activity of the board is to manage all government owned sports facilities effectively and efficiently.

**2 GOVERNMENT GRANTS:**

The grants received during the financial year were not designated for capital development and was mainly utilized for routine operations of the board.

	2006/7	2005/6
	Kshs.	Kshs.
	79,000,000.00	87,237,458.00

**3 FIXED ASSETS:**

The fixed assets only includes those purchased by the board from the time of its inception to the end of the financial year and doesn't include Land & Buildings which is yet to be officially transferred from the government to the board.

	Land & Buildings	Motor Vehicles	Plant & Machinery	Office Equipment	Furniture	Total
<u>COST</u>		Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2007	-	9,635,773.95	3,333,908.30	4,520,220.45	3,960,513.30	21,450,416.00
Additions	-		1,364,502.01	3,241,051.42	4,947,052.94	9,552,606.37
<b>At June 2007</b>	-	<b>9,635,773.95</b>	<b>4,698,410.31</b>	<b>7,761,271.87</b>	<b>8,907,566.24</b>	<b>31,003,022.37</b>

**DEPRECIATION:**

At 1st July 2006	-	5,044,083.28	1,944,532.53	1,757,716.14	765,290.25	9,511,622.20
Charge for the yr.	-	1,147,922.67	724,973.35	1,560,284.15	834,587.12	4,267,767.29
Prior yr. adjust.	-	-	-	-	-	-
<b>At June 2007</b>	-	<b>6,192,005.95</b>	<b>2,669,505.88</b>	<b>3,318,000.29</b>	<b>1,599,877.37</b>	<b>13,779,389.49</b>

**NET BK.VALUE:**

<b>At 30th June 2007</b>	-	<b>3,443,768.00</b>	<b>2,028,904.43</b>	<b>4,443,271.58</b>	<b>7,307,688.87</b>	<b>17,223,632.88</b>
<b>At 30th June 2006</b>	-	<b>4,591,690.67</b>	<b>1,389,375.77</b>	<b>2,762,504.31</b>	<b>3,195,223.05</b>	<b>11,938,793.80</b>

**SPORTS STADIA MANAGEMENT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2007**

**4 STOCKS:**

Stock valuation is on cost :

2006/2007	2005/2006
Kshs.	Kshs.
6,565,033.45	6,336,403.72
<u>6,565,033.45</u>	<u>6,336,403.72</u>

**5 DEBTORS AND PREPAYMENTS:**

Details	2006/2007	2005/2006
	Kshs.	Kshs.
Accounts receivables	71,534,729.85	24,942,656.93
Prepayments	4,010,122.24	
Staff salary advance	16,840.00	
Staff imprest	11,455,946.22	3,856,055.80
	<u>87,017,638.31</u>	<u>28,798,712.73</u>

**6 CASH & BANK BALANCE:**

Details	2006/2007	2005/2006
	Kshs.	Kshs.
Std.Bank Main Account	367,984.95	1,300,966.26
Std.Bank Fund Account	(3,746,217.15)	1,653,725.40
Direct Credits	29,766,291.00	29,766,291.00
	<u>26,388,058.80</u>	<u>32,720,982.66</u>

**7 ACCUMULATED FUNDS:**

This comprises of accumulated surplus/deficit and prior year adjustments over the years .

	2006/2007	2005/2006
	Kshs.	Kshs.
At the start of the year	62,575,658.81	66,179,536.25
Surplus / (Deficit) for the year	20,030,046.82	(3,603,877.44)
Prior year adjustments	(1,900,766.14)	-
At the end of the year	<u>80,704,948.49</u>	<u>62,575,658.81</u>



**SPORTS STADIA MANAGEMENT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2006**

**8 CREDITORS AND ACCRUALS:**

Details	2006/2007 Kshs.	2005/2006 Kshs.
Sundry creditors	31,994,323.77	17,219,234.10
Provision for audit fee	522,000.00	
Accrued expenses	379,000.00	
VAT Withheld payable	5,635,363.18	
	<u>38,530,686.95</u>	<u>17,219,234.10</u>

NB: Creditors worth Ksh 1,925,868.66 related to Fixed Asset.

**9 GRANT PREPAID**

During the year a grant of Ksh 18,030,728.00 was received to cater for Kasarani fencing. The fencing commenced in July 2007 hence will be recognized in 2007/2008 accounts as per IAS 20

**10 RENT INCOME:**

Details	2006/2007 Kshs.	2005/2006 Kshs.
Rent income - Kasarani	22,702,500.00	5,409,343.00
Rent income - Nyayo	3,793,776.50	
	<u>26,496,276.50</u>	<u>5,409,343.00</u>

**11 HIRE OF FACILITIES:**

Details	2006/2007 Kshs.	2005/2006 Kshs.
Hire of hospitality suites	487,200.00	5,409,343.00
Hire of Main stadiums	6,938,540.00	
Hire of Aquatic stadiums	5,383,630.00	
Hire of indoor courts	9,016,420.00	
Hire of public adress system	73,500.00	
	<u>21,899,290.00</u>	<u>5,409,343.00</u>

**12 HOTEL INCOME:**

Details	2006/2007 Kshs.	2005/2006 Kshs.
Hotel	65,725,936.20	29,214,806.25
Cyber Café	1,117,844.00	
	<u>66,843,780.20</u>	<u>29,214,806.25</u>

**13 GATE TAKINGS:**

	2006/2007	2005/2006
Details	Kshs.	Kshs.
Gate takings- Kasarani	378,885.00	127,056.50
Gate takings- Nyayo	533,141.00	327,056.50
	<u>912,026.00</u>	<u>454,113.00</u>

**14 ADVERTISING INCOME:**

	2006/2007	2005/2006
Details	Kshs.	Kshs.
Advertising - Kasarani	3,290,000.00	2,932,100.00
Advertising - Nyayo	2,950,000.00	2,932,100.00
	<u>6,240,000.00</u>	<u>5,864,200.00</u>

**15 MEETINGS CONF. & DIRECTORS ALLOWANCES:**

	2006/2007	2005/2006
Details	Kshs.	Kshs.
Directors allowances	5,438,518.00	2,268,004.00
Meetings & conferances	692,879.10	
	<u>6,131,397.10</u>	<u>2,268,004.00</u>

**16 TRANSPORT OPERATING:**

	2006/2007	2005/2006
Details	Kshs.	Kshs.
Tranport- Taxi	54,961.60	
Tranport- Fare	125,255.00	
Mileage claims	220,335.30	
Motor veh. Fuel	1,944,861.54	1,222,881.22
Motor veh. Repairs	1,226,532.52	1,222,881.22
Parking fee	630.00	
	<u>3,572,575.96</u>	<u>2,445,762.44</u>

**16 LOCAL TRAVEL:**

	2006/2007	2005/2006
Details	Kshs.	Kshs.
Local traveling-expenses	1,569,639.22	1,180,839.30
Local - per diem	616,940.00	
Out of pocket allowance	364,485.00	
	<u>2,551,064.22</u>	<u>1,180,839.30</u>

**SPORTS STADIA MANAGEMENT BOARD****PRIOR YEAR ADJUSTMENTS AS PER THE 2005/06 AUDIT REPORT**

3.1	Understated income 2005/06	24,942,656.93
6.0	VAT Expense 2005/06	- 5,763,420.00
7.2	Hire of facilities 2005/06 overstated	- 1,970,801.40
6.0	PAYE (not included in 2005/06)	- 845,993.00
6.0	Audit Fee 2003/04/05/06 not provided	- 1,566,000.00
7.3	Gate takings overstated	- 492,500.00
7.4	Advertising income 2005/06	- 334,200.00
7.7	Hostel fee overstated(Debtors 2004/05)	- 7,160,518.53
7.6	Salary advance posted as income	- 150,000.00
8.1.3	Opening stock 2005/06 not included	- 2,628,958.40
	Mary Osoro-Contracted services 2003/04	- 225,000.00
	Tax in arrears	- 1,734,149.50
	<b>TOTAL</b>	<b>2,071,116.10</b>