


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 16 AUG 2019	DAY: 6/2/19
TABLED BY: [Signature]	HON. ADAM OYALE LEADER OF MAJORITY
CLERK-AT-TABLE: [Signature]	13M

PARLIAMENT OF KENYA LIBRARY

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
EXPORT PROMOTION COUNCIL

FOR THE YEAR ENDED
30 JUNE 2018





Export Promotion Council

EXPORT PROMOTION COUNCIL

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

**Prepared in accordance with the Accrual Basis of Accounting Method under the International
Public Sector Accounting Standards (IPSAS)**

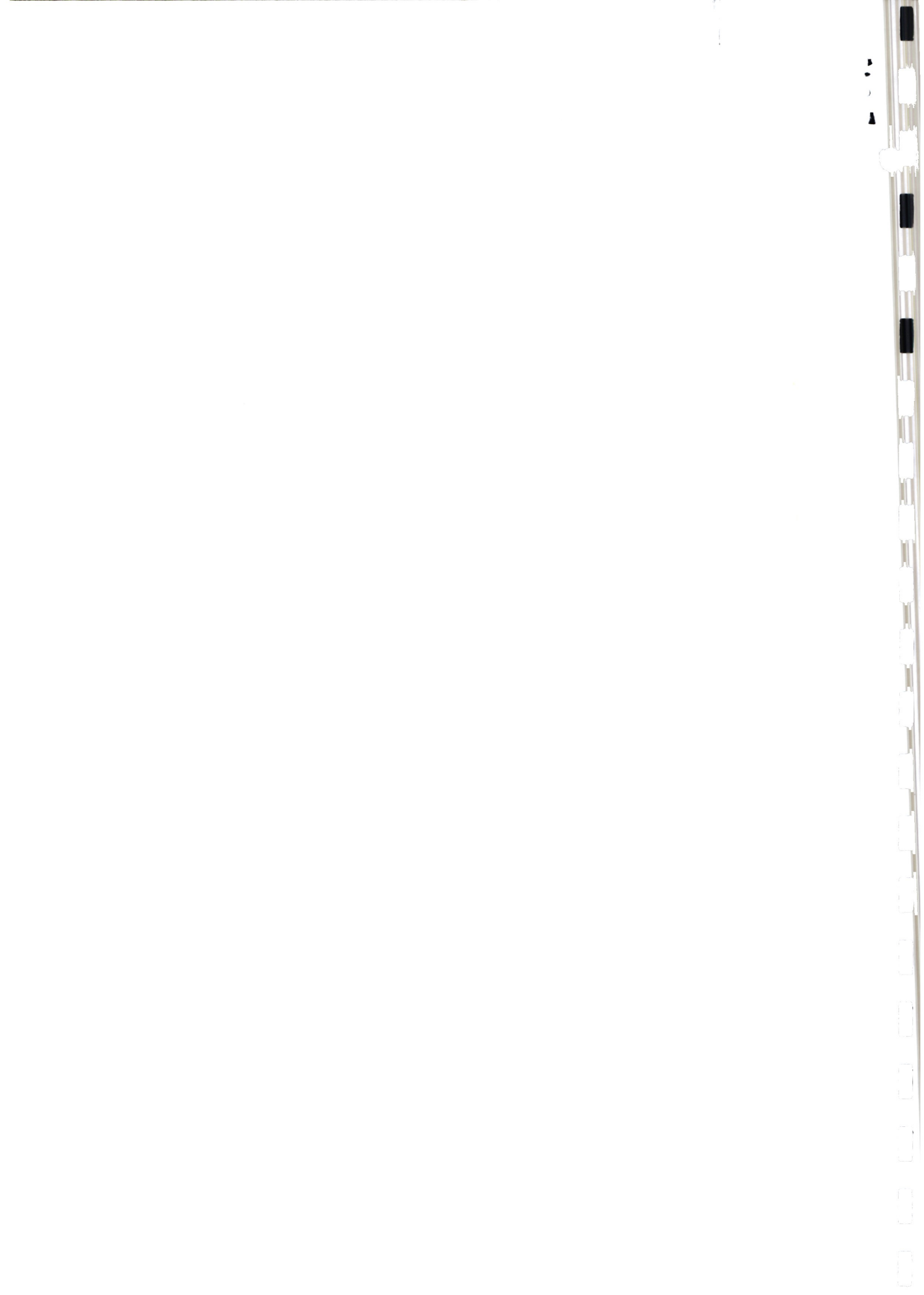




TABLE OF CONTENTS

KEY ENTITY INFORMATION AND MANAGEMENT	ii
THE BOARD OF DIRECTORS	ix
MANAGEMENT TEAM.....	xv
CHAIRMAN'S STATEMENT	xviii
REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xxii
CORPORATE GOVERNANCE STATEMENT.....	xxix
REPORT OF DIRECTORS	xxxvi
STATEMENT OF DIRECTORS' RESPONSIBILITIES	xxxvii
REPORT OF THE INDEPENDENT AUDITORS	xxxix
STATEMENT OF FINANCIAL PERFORMANCE.....	1
STATEMENT OF FINANCIAL POSITION.....	2
STATEMENT OF CHANGES IN NET ASSETS.....	3
STATEMENT OF CASHFLOWS.....	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	5
NOTES TO THE FINANCIAL STATEMENTS.....	6





KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Export Promotion Council was incorporated on 6 June 1994 as a Company limited by guarantee and not having a share capital. Prior to this, and since its establishment, the Council has operated as an independent body deriving its right of existence from the Statement on Export Strategy for Growth by H. E The President of Kenya dated 19th August 1992, which established the Council and Gazette Notice No. 4342 of 9th October 1992.

At cabinet level, the Export Promotion Council is represented by the Cabinet Secretary for Industry, Trade and Co-operatives who is responsible for the general policy and strategic direction of the Export Promotion Council.

(b) Principal Activities

The mandate of the Council includes provision of strategic assistance to exporters of goods and services in overcoming bottlenecks, to enable them achieve a higher level of export performance. The national mandate therefore requires the Council to facilitate export development in a holistic manner and to appropriately respond to the current need of exporters.

Vision

Anchoring Kenya's exports in the global market place for economic prosperity

Tagline

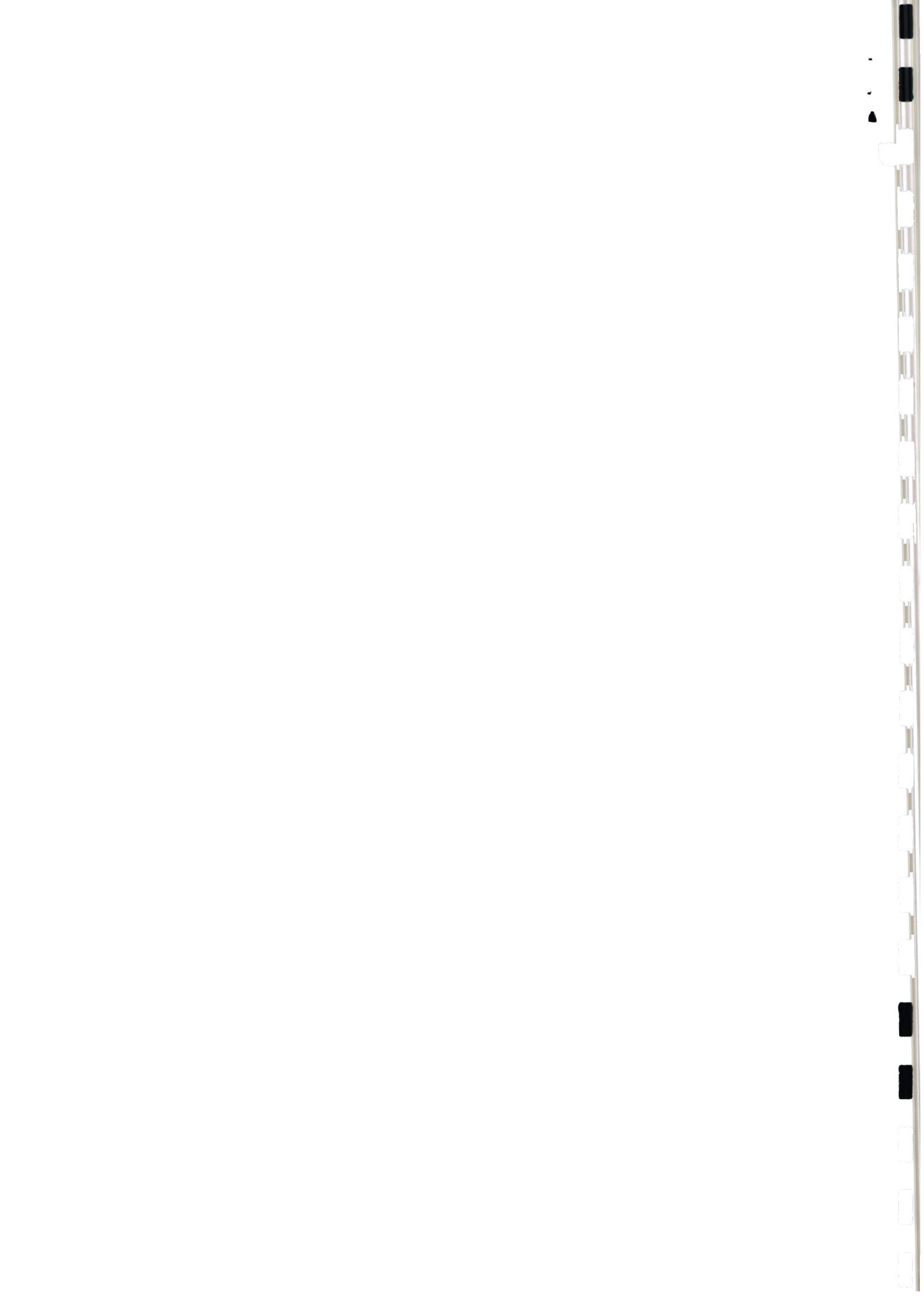
Inspiring Global Trade

Mission

Promoting Kenya's Exports Globally through intelligent, timely and accurate Product and Market Information

Council Objectives are:

- 1) To reduce the high cost of business environment to create competitiveness
- 2) To harmonize local restrictions and regulatory requirements...
- 3) To address value chain weaknesses to enhance local production of raw materials
- 4) To improve Market Competition and Terms of Trade
- 5) To Enhance Access to Market Information and Promotion
- 6) To improve Access to Technology by Exporters
- 7) To increase uptake of infrastructure facilities to enhance exports competitiveness
- 8) To enhance exports compliance to international standards
- 9) To strengthen EPC to deliver on its mandate and enhance coordination



The EPC focus is on supporting the delivery of the manufacturing and food security pillars of the Big Four Agenda. The key focus of EPC Strategy is on four broad areas which are analyzed as follows:

- 1) Balance of Payments management
- 2) Export sector competitiveness
- 3) Market Information and Promotion
- 4) Institutional strengthening and Coordination

(c) Key Management

The Council's day-to-day management is under the following key organs:

- Chief Executive Officer
- General Managers
- Unit heads;

Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer (w.e.f) 4 th April 2017	Mr. Peter Biwott
2.	General Manager Finance	Ms. Christine Mwaka
3.	General Manager, Market Development and Promotion	Mr. Maurice Otieno
4.	Ag. General Manager, Enterprise and Product Development	Mr. Austin Macheso
5.	Ag. General Manager, Trade Information and Business Services	Mr. Kenneth Murimi
6.	Ag. General Manager, Research and Planning	Mr. Peter Ochieng
7.	Manager Human Resource and Administration	Ms. Rosebell Wainaina
8.	Manager, Internal Audit	Mr. Victor Odindo



(d) Separation of Powers & Duties of the Chairman and Chief Executive Officer

The separation of functions between the Chairman and the CEO has ensured requisite balance of power, increased accountability, clear definition of responsibilities and improved decision making.

Duties of Directors

The Council's Memorandum and Articles of Association provides for powers and duties of the board members under Article 28-31 to include:

- I. Managing the business of the council to the extent that they may incur all expenses towards promoting the organization.
- II. With the power of Attorney appoint any company, firm or persons to be the attorney/ attorneys of the council for a period they see fit.
- III. Determine the manner in which any monies or negotiable instruments shall be executed.
- IV. Cause minutes to be made in the provided books for purposes of attendance, appointments and resolutions in the meetings.

(e) Fiduciary Oversight Arrangements

Strategy, Export Development and Promotion Committee

The Committee is responsible for advising the Board on Development, Promotion and diversification of export goods, services and markets and facilitating development of export-oriented enterprises.

No.	Strategy, Export Development and Promotion Committee	Remarks
1)	Ms. Mona W. Karingi	Chairperson
2)	Prof. George O. Achoki	Member
3)	Ms. Flora Mutahi	Member
4)	Mr. Mohamed S. Bwika	Member
5)	Bintihamad C. Mwamaingu	Member
6)	Mr. Wilfred Mwanzia	Member
7)	Mr. Peter K. Biwott	Member



Finance and Resource Mobilization

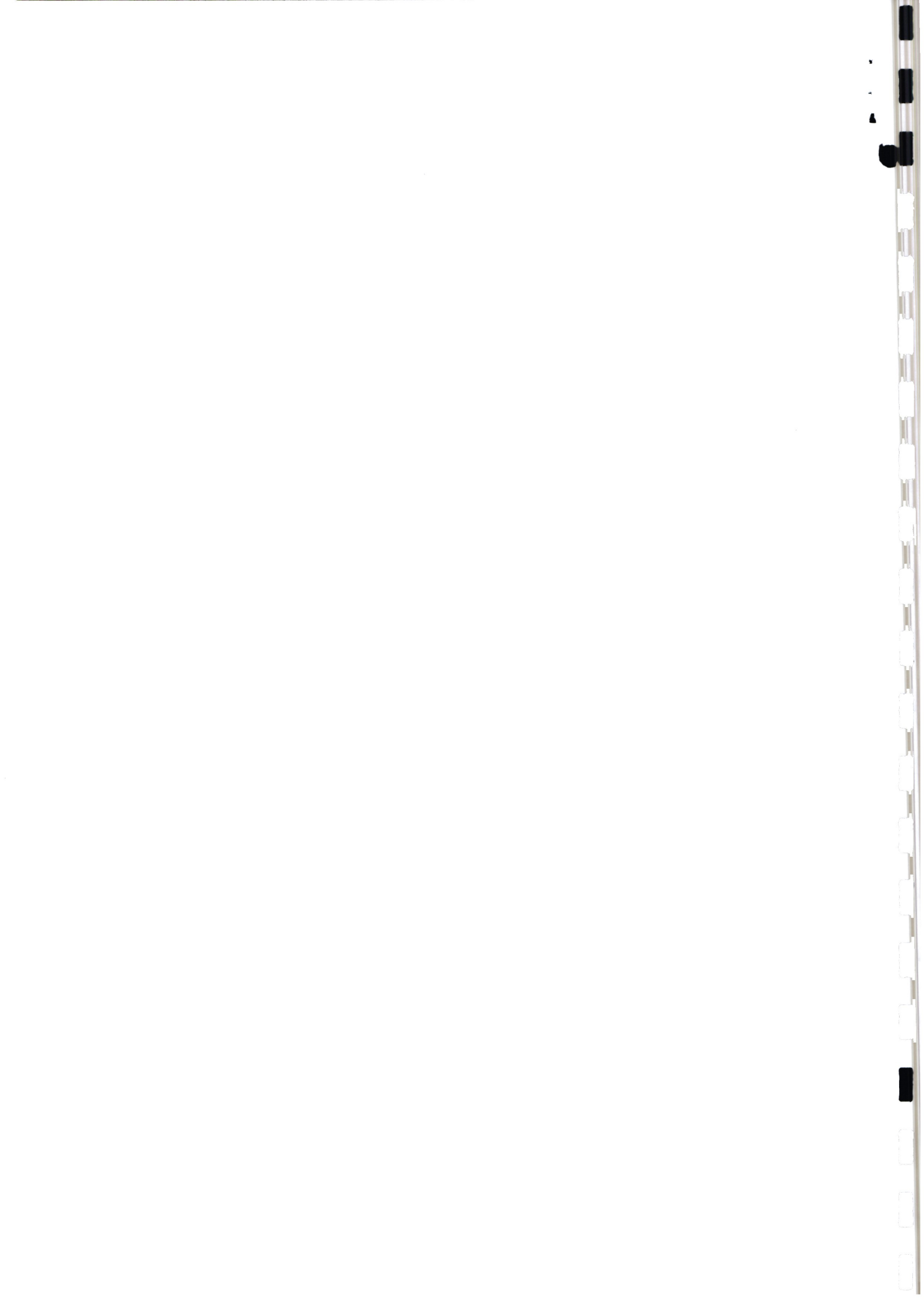
The Committee is responsible for advising the Board on financial reporting processes, the system of internal control, compliance to policies and procedures, budgeting of the Council's activities and programmes and ensuring sustainability of the Council.

No.	Finance and Resource Mobilization Committee	Remarks
1)	Prof. George O. Achoki	Chairman
2)	Mr. Solomon Boit – EBS, CBS	Member
3)	Ms. Flora Mutahi	Member
4)	Mr. Kobia Wakamau	Member
5)	Mr. Joseph Mutuma	Member
6)	Mr. Oliver Konje	Member
7)	Mr. Peter K. Biwott	Member

Audit, Risk and Governance Committee

The Committee is responsible for assisting the Board and Management in fulfilling its oversight role in financial reporting processes, systems of internal control, internal audit process, risk management and monitoring compliance with laws, regulations and the code of conduct.

No.	Audit, Risk and Governance Committee	Remarks
1)	Mr. Mohamed S. Bwika	Chairman
2)	Mr. Solomon S. Boit – EBS, CBS	Member
3)	Ms. Bintihamad C. Mwamaingu	Member
4)	Dr. Isaya Maana	Member
5)	Mr. Wilfred Mwanzia	Member
6)	Mr. Joseph Mutuma	Member
7)	Mr. Oliver Konje	Member





Human Resource and Administration Committee

The committee is responsible for assisting the Board in discharging its duty in overseeing the establishment of appropriate administrative and human resources policies and procedures.

No.	Human Resource and Administration Committee	Members
1)	Mr. Solomon S. Boit – EBS, CBS	Chairman
2)	Ms. Mona W. Karingi	Member
3)	Mr. Mohamed S. Bwika	Member
4)	Dr. Isaya Maana	Member
5)	Mr. Kobia Wakamau	Member
6)	Mr. Wilfred Mwanzia	Member
7)	Peter K. Biwott	Member





Entity Headquarters

Export Promotion Council (Headquarters)
Anniversary Towers 1st and 16th Floor
University Way
P. O. Box 40247 – 00100 Nairobi
Tel: +254-20-2228534-8
Office Mobile: +254-722-205875, +254-734-228534
Fax: +254 -20-2228539/
Email: chiefexe@epc.or.ke
Website: www.epckeny.org

Branches

EPC Regional Office Mombasa
Uni Plaza, 3rd Floor
Aga Khan Road, off Moi Avenue
P.O. Box 90143- 80100 Mombasa
Tel: +254-041-2319247/020-3579237
Email: coast@epc.or.ke

EPC Regional Office Eldoret
National Bank Building, 2nd Floor
Oloo Street
P.O. Box 853 Eldoret
Tel: +254 -20-3573020/3573758
Email: western@epc.or.ke

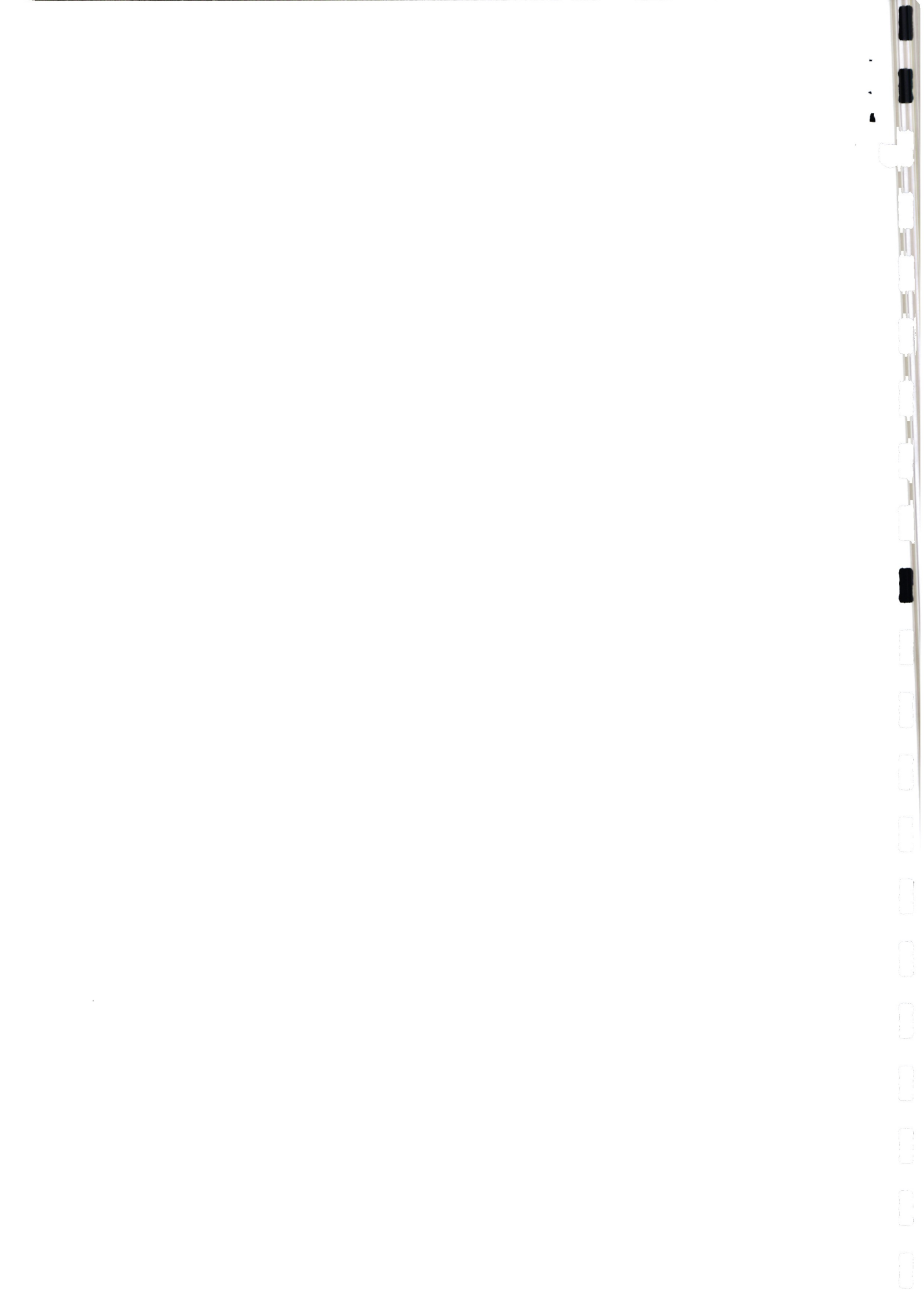
(f) Entity Contacts

Export Promotion Council (Headquarters)
P. O. Box 40247 – 00100 Nairobi
Tel: +254-20-2228534-8
Office Mobile: +254-722-205875, +254-734-228534
Email: chiefexe@epc.or.ke
Website: www.epckeny.org

Branches

EPC Regional Office Mombasa
P.O. Box 90143- 80100 Mombasa
Tel: +254-041-2319247/020-3579237
Email: coast@epc.or.ke

EPC Regional Office Eldoret
P.O. Box 853 Eldoret
Tel: +254 -20-3573020/3573758
Email: western@epc.or.ke





Export Promotion Council

EPC/JKIA Liaison Office
1st Floor, International Arrivals
P.O. Box 40247-00100, Nairobi
Tel: +254 -20-827911
Email: jkia@epc.or.ke

(g) Entity Bankers

Kenya Commercial Bank Limited
University Way Branch
P.O. Box 7206 - 00100
Nairobi

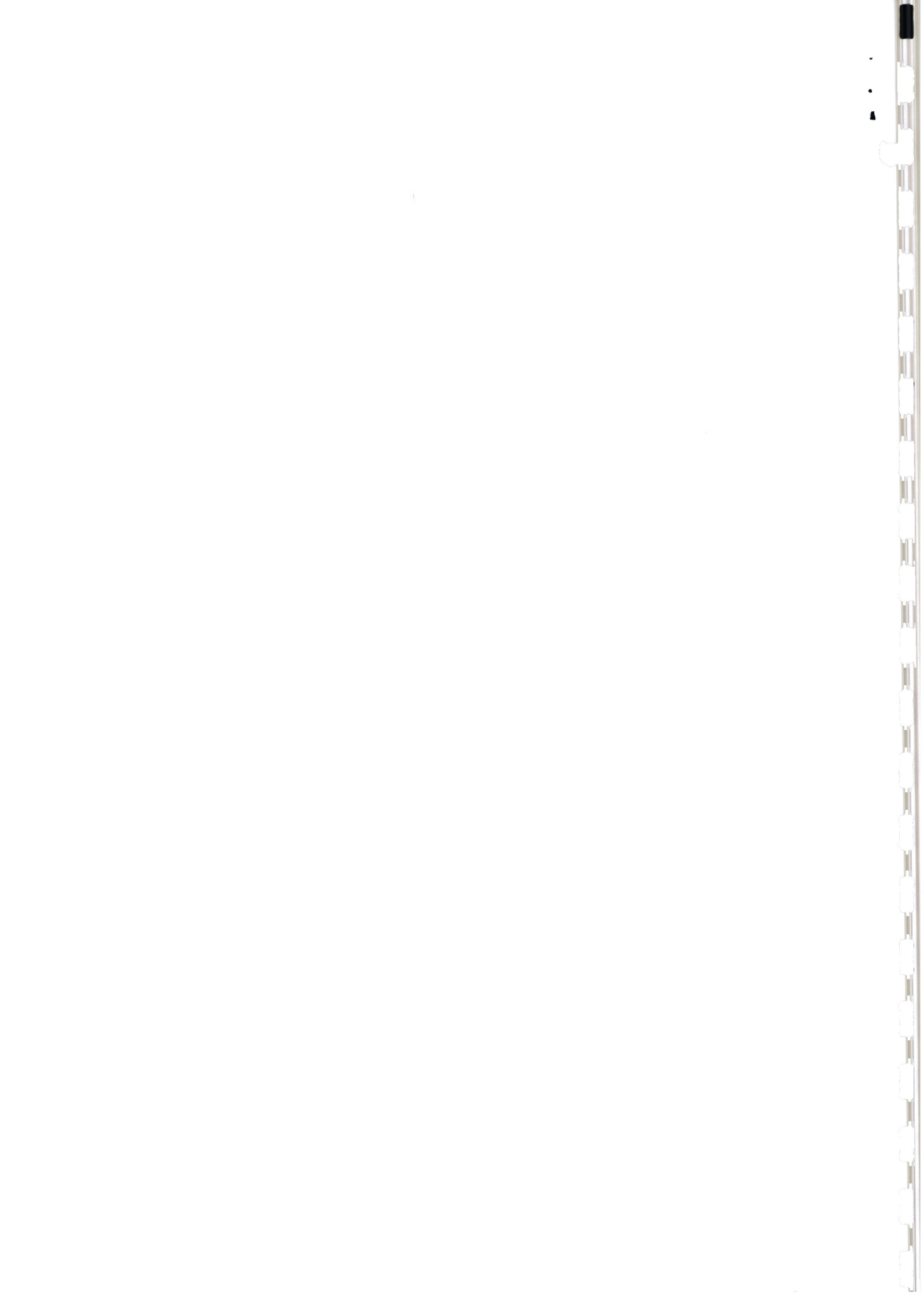
Housing Finance Limited
Rehani House
P.O. Box 20691 - 00100
Nairobi

Independent Auditors



Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(h) Principal Legal Adviser



The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya






THE BOARD OF DIRECTORS

Director	Director profile
<p>Mr. Jaswinder Bedi - EBS</p> 	<ul style="list-style-type: none"> • DOB: 15.01.1963 • Managing Director, Bedi Investments Limited • President of International Textile Manufacturers Federation (ITMF) • Chairman, African Cotton & Textile Industries Federation (ACTIF) • Executive Director, Fine Spinners Uganda Limited. • Former Chair, Kenya Association of Manufacturers • Member KAM Advisory Board and Think Tank • Director, Kenya Private Sector Alliance • Former Chairman, Kenya Apparel Manufacturers and Exporters Association
<p>Dr. Chris Kiptoo -CBS</p>  <ul style="list-style-type: none"> • PhD in International Macroeconomics Finance Specialization 	<ul style="list-style-type: none"> • Principal Secretary State Department of Trade, Ministry of Industry, Trade and Cooperatives • Associate of Kenya Chartered Institute of Bankers (A.K.I.B). • Fellow of the Macroeconomic & Financial Management Institute of Eastern & Southern Africa (MEFMI) • Chair of the Kenya's National Trade Negotiations Committee (NTNC) • Specialist in International Trade and Finance including monetary policy and financial sector issues • Formerly worked for Trade Mark East Africa's (TMEA) as the Kenya Country Director, Office of the Prime Minister (OPM), Kenya, Capital Markets Authority (CMA), Central Bank of Kenya (CBK), The International Monetary Fund (IMF) and National Cereals and Produce Board (NCPB)



Director	Director profile
<p>Mr. Solomon Boit - EBS, CBS</p>  <ul style="list-style-type: none"> • MA (International Studies) • MA (Economic and Social Studies) • BA (Social Sciences) 	<ul style="list-style-type: none"> • DOB: 13.06.1959 • Director, Emerge (K) Ltd • Consultant, Trapos Africa • Former Chairman, Pyrethrum Board of Kenya • Former Permanent Secretary, Ministry of Local Government • Former Permanent Secretary, Ministry of Cooperative Development and Marketing • Former Secretary, Public Service Commission • Former Principal Administrative Secretary, Cabinet Office • Former District Commissioner, West Pokot, Laikipia, Nairobi • Served as District Officer in various Divisions in Kenya
<p>Ms. Veska Kangogo</p>  <ul style="list-style-type: none"> • Pursuing PhD in Leadership and Governance • MBA (Strategic Management) • B. Ed • Certified Public Secretary (CPS) • Higher National Diploma in HR Management 	<ul style="list-style-type: none"> • DOB: 19.02.1976 • Former Vice Chairperson, Nairobi City Public Service Board • Former Trustee, NSSF as Chair of Strategy, Legal and Human Committee • Business Development and Technical Director, Three Sixty Management Consultancy • Former Corporate Affairs and marketing Manager, Local Authorities Provident Fund
<p>Prof. George O. Achoki</p>	<ul style="list-style-type: none"> • DOB: 24.04.1966 • Associate Professor of Accounting, USIU • Former Dean, Chandaria School of Business, USIU • Former Senior Lecturer, Kenyatta University • External examiner – Kenyatta University and JOOUST University • Resource Person – Commission for University




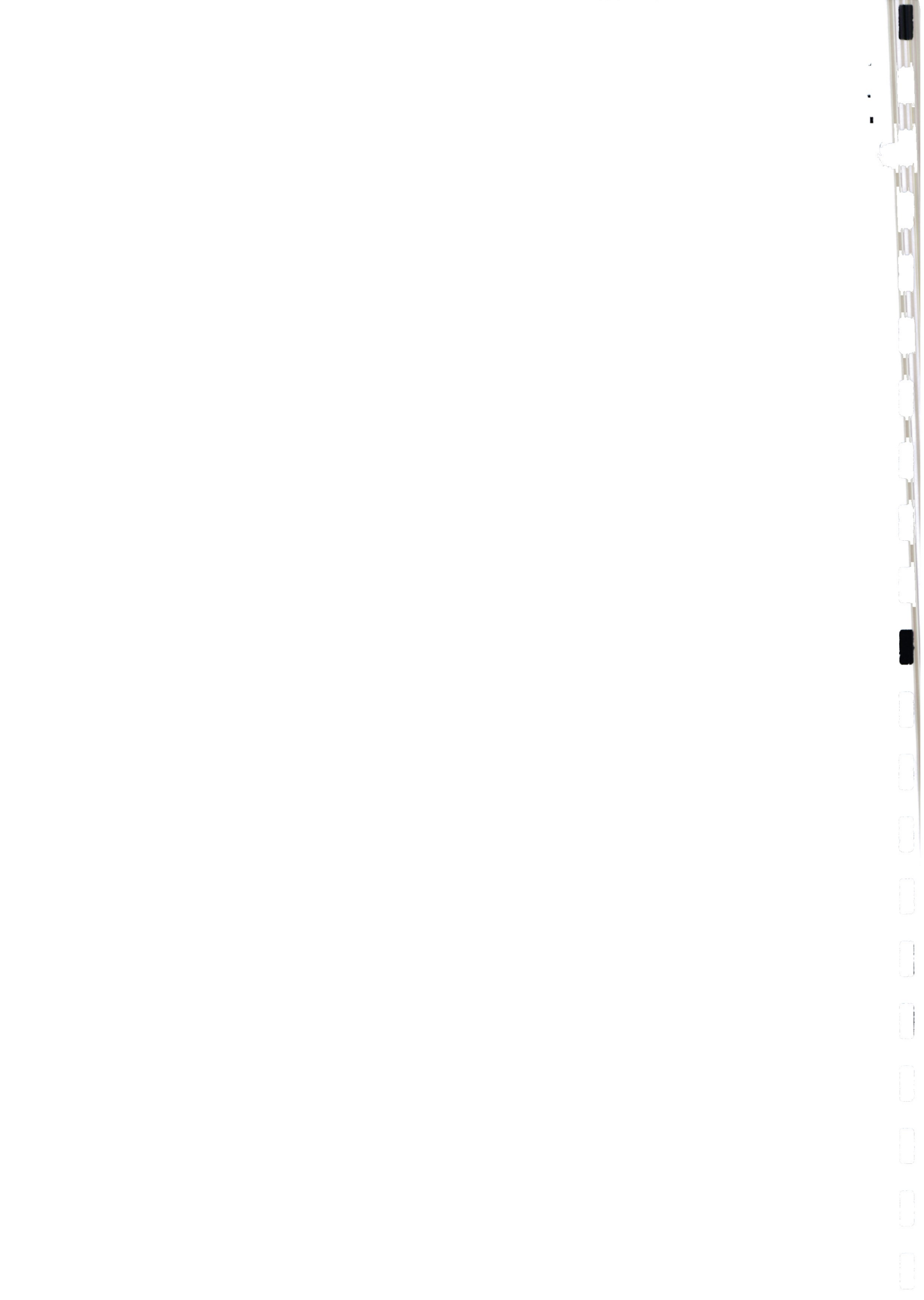
Director	Director profile
 <ul style="list-style-type: none"> • PhD in Human Resource Accounting • Master of Commerce in Accounting and Statistics • Bachelor of Commerce • Post Graduate Diploma in Computer Science 	<p>Education (CUE)</p> <ul style="list-style-type: none"> • Management Consultant, Manpower Services (K)
<p>Ms. Flora Mutahi</p>  <ul style="list-style-type: none"> • Master in Business Administration • BSc, Finance and Accounting • CPA (K) • Diploma in Executive Marketing 	<ul style="list-style-type: none"> • DOB: 05.08.1967 • Chairperson, Kenya Association of Manufacturers (KAM) • Founder/CEO, Melvin Marsh International Ltd • Vice Chair, COMESA Business Council • Board Member, Kenya Private Sector Alliance • Board Member, Jubilee Insurance Company • Board Member, SBM Bank Kenya • Founder and CEO of Azizi Realtors Ltd, a real estate company specializing in sale and lease of residential and commercial property
<p>Ms. Mona Karingi</p>  <ul style="list-style-type: none"> • BA in Social Sciences • Certificate in Marketing (MSK) 	<ul style="list-style-type: none"> • DOB: 28.07.1974 • Career marketer having joined Coca-Cola in 2005 rising to Country Marketing Manager East, West and Central Africa • Consumer Research, Brand Strategy Development, Advertising, Promotions, Public Relations and Media Management with particular skills in translation of insights into strategies • Expert in consumer marketing strategy in the FMCG sector • Overseen development, implementation and tracking of marketing strategy;




Director	Director profile
<p>Ms. Binti Hamadi C. Mwamaingu</p> 	<ul style="list-style-type: none"> • DOB: 22.12.1970 • Vice Chairperson, Maendeleo ya Wanawake, Kwale County • Chairlady, Maendeleo ya Wanawake, Ramisi Ward • Peer educator for social development on Women
<p>Mr. Mohamed S. Bwika</p>  <ul style="list-style-type: none"> • MA in Industrial and Vocational Education • BA in Industrial and Vocational Education 	<ul style="list-style-type: none"> • DOB: 16.02.1945 • Board member in the Kenya Civil Aviation Board • Has served as a Returning Officer, Electoral Commission of Kenya • Manager, Educational Services, Islamic Foundation of Kenya • Senior Principal, Coast Institute of Technology • Consultancy work with the ILO
<p>Mr. Albert K. Wakamau</p> 	<p>Alternate to the Principal Secretary, Ministry of Tourism W.e.f 1st July 2017,</p>
<p>Mr. Wilfred Mwanzia</p>  <ul style="list-style-type: none"> • Bachelor of Science (Agriculture) 	<ul style="list-style-type: none"> • Alternate to the Principal Secretary, Ministry of Agriculture, Livestock and Fisheries. • Work experience: over 30 years in the Agriculture Sector • Over 10 years dealing with trade both regional and international, trade negotiations





Director	Director profile
<p>Dr. Isaya Maana</p> 	<p>Alternate to the Governor, Central Bank of Kenya.</p> <ul style="list-style-type: none"> • Assistant Director in the Research Department at the Central Bank of Kenya (CBK). • Head of the Monetary Policy Committee (MPC) Secretariat at the CBK. • He has wide experience in the Central Bank's operations spanning over twenty years, has undertaken technical research and published on monetary and financial sector issues, public debt, and on Central Bank communications
<p>Mr. Joseph Mutuma</p>  <ul style="list-style-type: none"> • MBA – Finance • Bachelor of Commerce – Accounting Option • CPA (K) 	<ul style="list-style-type: none"> • D.O.B. 9th April 1972 • Alternate to Principal Secretary, the National Treasury • Senior Deputy Director of Budget, the National Treasury • He is a seasoned professional in Public Finance Management especially in Budget Policy, Planning, Implementation/Execution, Monitoring, Evaluation and Reporting.
<p>Mr. Oliver Konje</p>  <ul style="list-style-type: none"> • Bachelor of Commerce- Marketing • MSC Entrepreneurship 	<ul style="list-style-type: none"> • Alternate to the Principal Secretary, State Department of Trade. • Assistant Director (SDT) Bilateral Division. • Former Senior Lecturer (KIBT), • Former Commercial Attached (Germany)
<p>Mr. Peter K. Biwott - CEO</p>	<ul style="list-style-type: none"> • DOB 21-07-1976 • Joined Export Promotion Council on 4th April 2017 as Chief Executive Officer • Provides overall strategic direction for achievements of the Council's mandate






Director	Director profile
 <ul style="list-style-type: none"> • Master's in International Development Studies (Economics of Development and Quantitative Economic Policy Analysis) • Bachelor of Commerce (Economics) • Post Graduate qualifications in Macroeconomic Policy Analysis and Research Continental Free Trade (African Context); Trade Dimension in the United Nations Development Assistance Frameworks; Standards and Agricultural Trade; and Trade in Services and Liberalization. 	<ul style="list-style-type: none"> • Full Member, Kenya Institute of Management (KIM). • Previously worked with Kenya Association of Manufacturers (KAM), Kenya National Chamber of Commerce and Industry (KNCCI), Commission on Revenue Allocation (CRA), Kerio Valley Development Authority (KVDA), Kenya Institute of Public Policy, Research and Analysis (KIPPPRA) and Ministry of State for Planning, National Development and Vision 2030

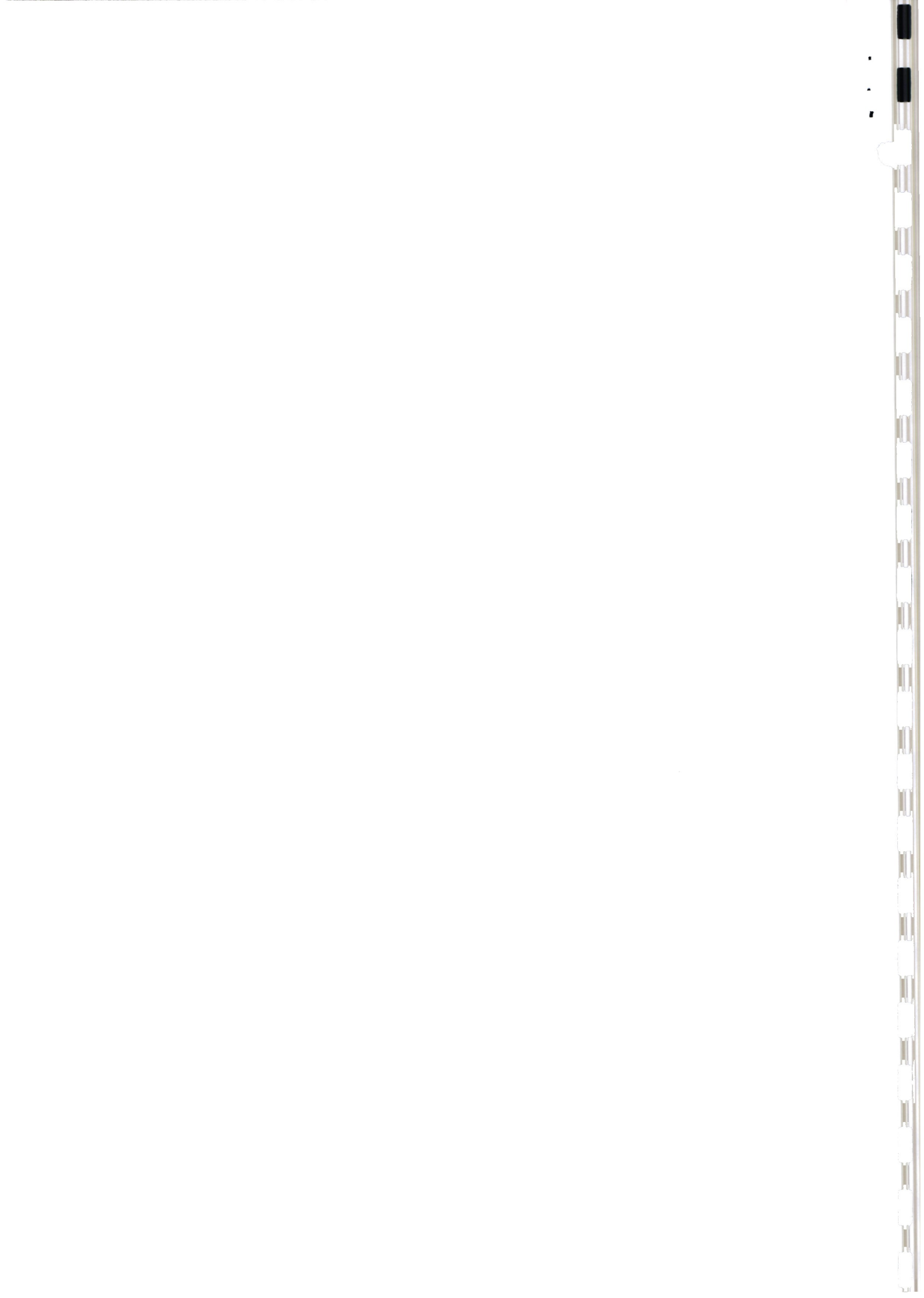


MANAGEMENT TEAM

Profile of Key Managers	Main area of responsibility without details
<p>Mr. Peter Biwott - CEO</p>  <ul style="list-style-type: none"> • Master's in International Development Studies (Economics of Development and Quantitative Economic Policy Analysis) • Bachelor of Commerce (Economics) • Post Graduate qualifications in Macroeconomic Policy Analysis and Research Continental Free Trade (African Context); Trade Dimension in the United Nations Development Assistance Frameworks; Standards and Agricultural Trade; and Trade in Services and Liberalization. 	<ul style="list-style-type: none"> • DOB 21-07-1976 • Joined Export Promotion Council on 4th April 2017 as Chief Executive Officer • Provides overall strategic direction for achievements of the Council's mandate • Full Member, Kenya Institute of Management (KIM). • Previously worked with Dubai Chamber of Commerce, Kenya Association of Manufacturers (KAM), Kenya National Chamber of Commerce and Industry (KNCCI), Commission on Revenue Allocation (CRA), Kerio Valley Development Authority (KVDA), Kenya Institute of Public Policy, Research and Analysis (KIPPRA) and Ministry of State for Planning, National Development and Vision 2030
<p>Ms. Christine Mwaka</p>  <ul style="list-style-type: none"> • CPA (K), • Pursuing PhD, (Course work complete) • MBA - Finance Option 	<ul style="list-style-type: none"> • General Manager Finance • Financial Management and Accountability



Profile of Key Managers	Main area of responsibility without details
<p>Mr. Maurice O. Otieno</p>  <ul style="list-style-type: none"> • Pursuing PhD, (Course work complete) • MBA • BA (Hons) Econ; B. Phil. Econ. (planning) 	<ul style="list-style-type: none"> • General Manager - Market Development and Promotion • Coordination of market development and promotion activities
<p>Mr. Peter Ochieng</p>  <ul style="list-style-type: none"> • Bachelor of Science (BSc) degree in International Trade • Post graduate diploma in international Studies. 	<ul style="list-style-type: none"> • Ag. General Manager Research and Planning • Market Research and Policy Analysis
<p>Mr. Kenneth Kahuthu Murimi</p>  <ul style="list-style-type: none"> • Pursuing, Executive Master's in Business Administration • Bachelor of Commerce (B. Com.) 	<ul style="list-style-type: none"> • Ag. General Manager – Trade Information and Business Services



Profile of Key Managers	Main area of responsibility without details
<p>Mr. Austin Macheso</p>  <ul style="list-style-type: none"> • Master of International Business Management • Bachelor of Arts- Economics, Sociology and History 	<ul style="list-style-type: none"> • Ag. General Manager Enterprise and Product Development • Enterprise and Product Development
<p>Mr. Victor Odindo</p>  <ul style="list-style-type: none"> • CPA (K), CISA • Master of Commerce (Forensic Accounting) • Bachelor of Commerce (Finance) 	<ul style="list-style-type: none"> • Internal Audit, Risk Management & Quality Management Representative
<p>Ms. Rosebell Wainaina</p>  <ul style="list-style-type: none"> • Master of Business Administration- Executive • Bachelor of Arts 	<ul style="list-style-type: none"> • Human Resource and Administration • Development and Implementation of Human Resource and Administration Policies • W.e.f 1st July – October 2017



CHAIRMAN'S STATEMENT

I am pleased to present Export Promotion Council's Financial Statements for the year ended 30th June 2018. Kenya's economy is in the transitional stages in readiness to leap from a lower middle-income category to the higher middle-income category. To make the transition, the country has been making efforts to upscale production capacities and value addition to its product for an increase in the export sector component to the Gross Domestic Product (GDP).

Kenya's export sector has been performing however at a lower rate, for example, 2.7% in 2017. The sector requires renewed thrust in terms of production and market penetration to enable it adequately contribute to the transformation of the economy by continually supplying foreign exchange. A stable and performing export sector will be a reliable vehicle to the socio-political transformation and economic developmental goals as desired within the context of the *Kenya Vision 2030* economic blue print.

This year had successes as well as pitfalls that impacted performance both at institutional as well as sector wide levels. The sector's growth has been held back due to diminishing competitiveness; low level diversification and subdued demands in the global export markets.

While efforts are continually being made for higher intergration of the sector into the global system; Kenya's export basket is still relatively narrow with a few competitive products, most of which are by and large primary products with minimal value addition. These include tea, horticulture (cut-flowers, vegetables, and fruits), articles of apparels, coffee, vegetable oils, petroleum oil products, and iron & steel products, among others. The agricultural commodities have included - tea, horticulture, and, coffee, have been prone to global cyclical price movements and have thereby experienced relatively declining performance.

In 2017, 53.2 percent of Kenya's exports were mainly contributed by tea (24.8 %), horticulture (19.1 %), articles of apparels (5.5 %) and coffee (4.0 %) with the Key export markets equally concentrated including Pakistan, Uganda, USA, Netherlands and United Kingdom. In the reported period, Kenya's total exports amounted to Kshs 594 billion (US \$ 5.88 billion) up from Kshs 578 billion (US \$ 5.70 billion) in 2016; while her total imports amounted to Kshs 1.73 trillion (US \$ 17.08 billion) up from Kshs 1.43 trillion (US \$ 14.11 billion) in 2016.

Africa is currently Kenya's leading export destination; with exports to the EAC accounting for slightly more than half (51.3%) of total exports to Africa. Exports to Asia came second in terms of market performance. This



scenario is still not strong enough to support the Balance of Trade (BOT) position, particularly in the current situation where import volumes have been growing at an average of 5.9 percent between 2013-2017; driven by industrial supplies, machinery & other capital equipment and fuel & lubricants which comprised 60% of total imports in 2017.

There is still huge potentials for even better performance. The Council is implementing new strategic plan that will focus on firm level interventions to enable the export and growth-oriented firms to unlock their potentials to compete effectively in the global market place. In line with this, the Council is also facilitating the development of a National Export Development and Promotion Strategy (NEDPS) that is in line with Kenya's Vision 2030 aspirations. The development of the NEDPS is intended to significantly spur growth and transform the performance of the trade and export sector.

The ongoing reforms by Government, continued market access and trade negotiations are yielding good results that are likely to open opportunities for exports and will lead to a strong base for a future performing export sector, with strong demand in the region and international markets.

The Council has undertaken to enhance its efforts to promote Trade in services with a view to diversify the export basket.

This is an area where the Country has proven competitive advantage especially in professional Services; Information Technology and Information Technology Enabled Services; transport and logistics as well as banking and Non-Banking financial Services.

The Council has been engaging in Market surveys and product Specific researches that have led to penetration of specific niche markets and a potential for future products. To enable efficiency in the supply chain, the council will continue addressing the pain areas that undermine efficiencies in the private sector. The Council is enhancing the development of market information system to keep abreast with the diverse aspects of demands and related market dynamics.

As we move forward and with the support of the government, we pledge to take the challenge and take Kenya's export sector to the next level for the continued growth of the economy. Towards the objectives the Export Promotion Council, has within its Strategic Plan 2017-2022 committed to increasing foreign exchange earnings to spur wealth and employment creation through high performing exports growing sustainably at an above 15% growth rate in order to deliver on the following Strategic goals.





i. Balance of Trade Management:

Kenya's balance of trade position has been unfavourable and the deficit gap has been relatively high. The Strategic Plan is to support the management of the growing trade deficit by increasing exports.

ii. Export Sector Competitiveness:

Kenya's economy has been improving in terms of global competitiveness and in doing business indicators. The strategic concerns within the plan period is to actively support improvement in the export sector competitiveness by addressing the constraints to the exporting enterprises.

iii. Market Access:

The global business environment is increasingly complex and challenging to Kenyan exporting enterprises, even in situations where there are provisions for preferential market access. The objective is to facilitate higher market access for Kenyan exporters.

iv. Human Resource and Organizational Focus:

The strategic thrust will be to manage these challenges by reinforcing the institutional and organizational capacities of the Council.

Towards the above goals the EPC will undertake critical activities in order to alleviate the constraints that impede the export competitiveness and also to facilitate management of the identified Constraints that are "pain areas" experienced by exporters at firm level:

1. Harmonize Local Restrictions and Regulatory Requirements
2. Reduce the Cost of Business Environment to Create Competitiveness
3. Improve Access to Technology by Exporters
4. Address Value Chains weaknesses to enhance local production of raw materials
5. Market Competition and Terms of Trade
6. Information and Promotion

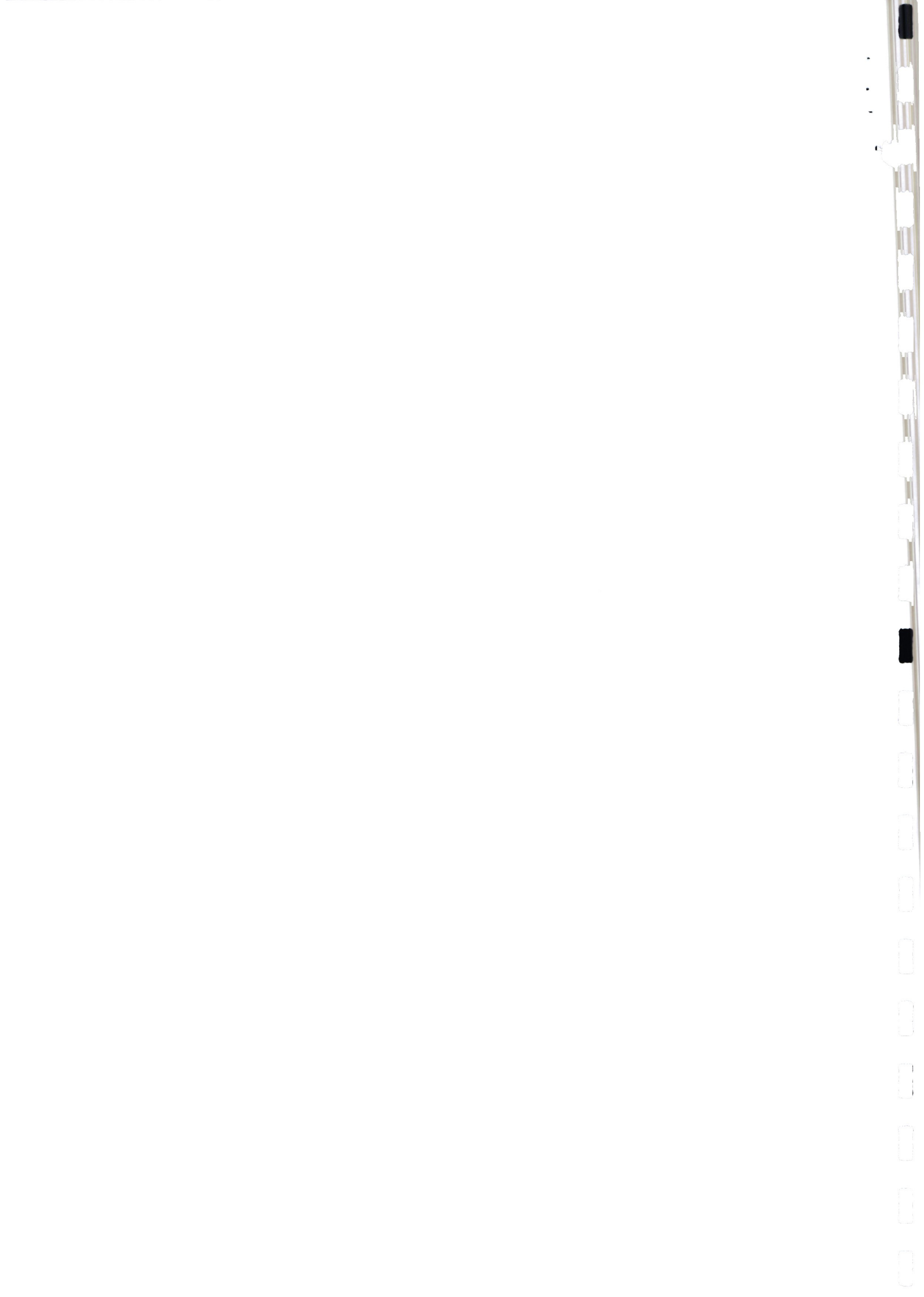


7. Enhance Exports Compliance to International Standards
8. Increase uptake of infrastructure facilities to enhance exports competitiveness
9. Institutional Strengthening & Resource Mobilization

It is our firm commitment to continue supporting the private sector in the endeavour to increase exports as well as deliver the values to the Government through Exports to enable generation of foreign exchange as well as delivery on the Big Four Agenda.



Mr. Jaswinder Bedi – EBS
Chairman



REPORT OF THE CHIEF EXECUTIVE OFFICER

The Export Promotion Council is a Trade Support Institution established by Government in 1992 to spearhead export performance and related activities. The Council was established to primarily assist exporters and producers of export goods to overcome bottlenecks in order to achieve higher levels of export performance and foreign exchange earnings, thereby enhancing economic growth.

EPC Partnership with Government

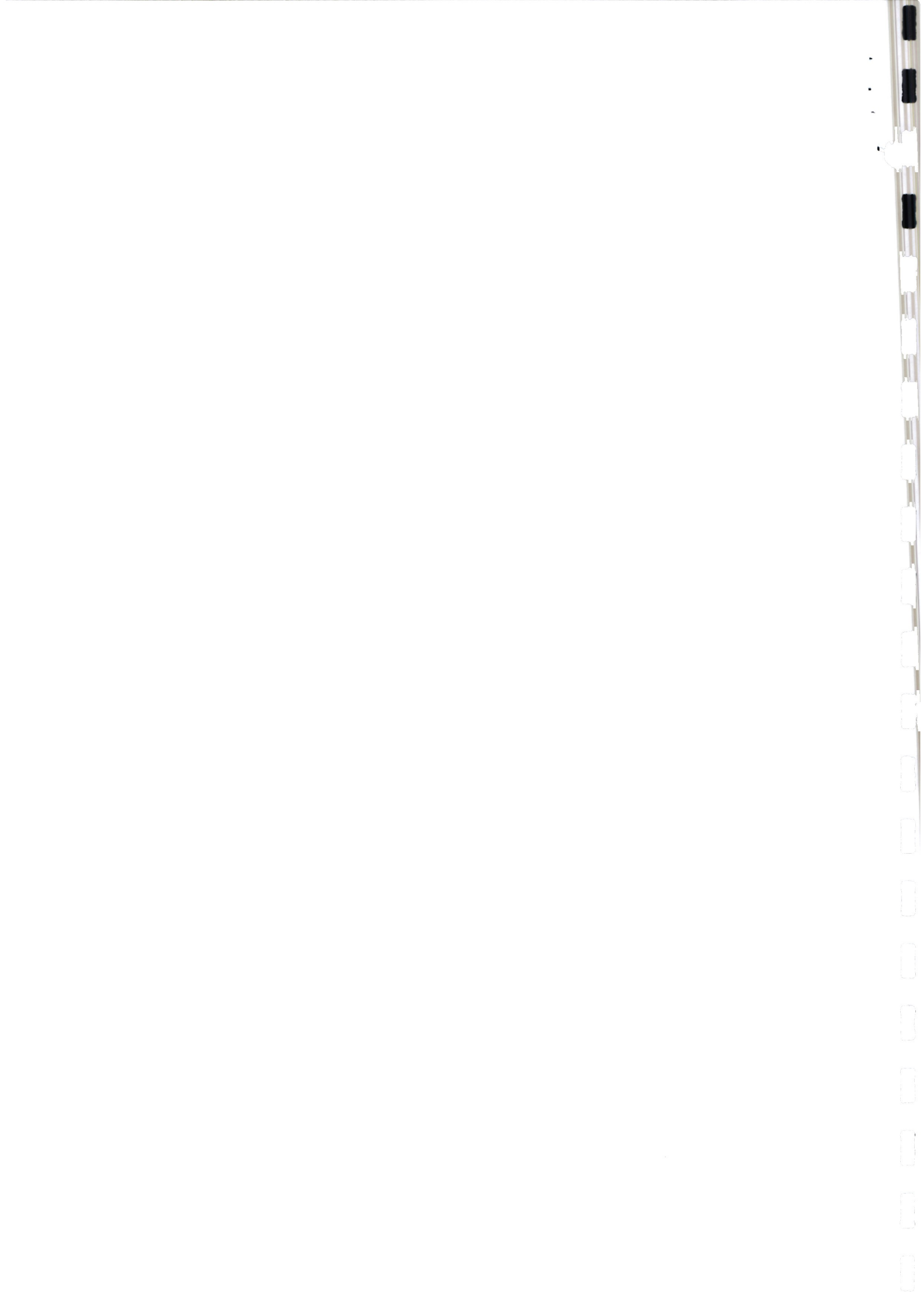
As an Agency of the Government, the Council works with stakeholders at all levels of the value chain towards achievement of supply and demand deliverables in export trade. During the Financial Year 2017-2018, the Council implemented the final phase of its Strategic Plan 2012-2017. The objectives of the Strategic Plan 2012-2017 are:

1. To increase exports by 20% in the planned period by consolidating, diversifying and expanding markets for Kenyan exports;
2. To play an active role in developing a conducive export policy environment and take lead in facilitating export trade;
3. To continuously ensure the sustainability of EPC'S Resource base;
4. To deliver outstanding services.

The current Strategic Plan of the Council is still aligned to the Medium-Term Plans that operationalise the Kenya Vision 2030 blueprint. The Strategic Plan has incorporated activities that were factored in the Medium-Term Plan (MTP) II 2013-2017 and will likewise be the key document to the implementation of the Medium Term Plan (MTP) III 2018-2022.

The Role of Exports in Economic Growth and Development

Export growth is important due to its effect on internal trade and economic stability. The rate of economic growth and the distribution of income and wealth in a country are closely related to export growth. When exports increase at a faster pace as compared to imports, rapid economic development is realised. Development of capacity in production of exportable goods and services leads to creation of employment and is also a platform for further innovation. Through export earnings, the country is able to address social ills such as crime, poverty, disease and illiteracy, leading to improved livelihoods and attractiveness as an investment





and tourist destination. It also enables the country to benefit from technology and skill transfer that creates internal competitiveness in production of preferred goods and services in tandem with evolving consumer tastes and preferences.

Export growth is also important due to its effect on internal trade and economic stability. Economic growth and distribution of income and wealth in a country are closely related to export growth. This is influenced by increases in Foreign Direct Investment (FDI) to ventures that generate export-based products. In addition, local investors benefit by setting up value addition facilities that earn a higher return on investment through export earnings. Sustained export earnings also strengthen our local currency against other hard currencies and support Kenya's ability to import high value goods and machinery critical for a growing economy. It also lowers borrowing costs, which is one of the key indicators in the cost of doing business ratings. Sustainable export growth also stabilizes inflation and the cost of living. Exports enable the country to narrow its trade deficit and, in the process, improve the balance of payments so as to maintain healthy liquidity levels that arrest escalation of working capital costs.

The Export Promotion Council is seeking to mainstream Small and Medium Enterprises (SMEs) into the export chain through entrepreneurial skills training, export coaching, export awareness and product development. The Council is laying frameworks to assist these exporters in identifying markets through test-marketing in select regional and international destinations. In furtherance therefore, the Council has submitted a Concept Paper on establishment of a Centre for Product Design and Development (CPDD), for review and consideration by Government to unlock funding in setting up the Centre, so as to support development of export capacity to SMEs. In addition, the Council has partnered with the Commonwealth Secretariat (COMSEC) on operationalising trade in services as a growing component in Kenya's exports.

The product development measures are informed by the need to reduce Kenya's over-reliance on traditional commodity exports that are prone to price volatility in international markets. The strategy seeks to enhance diversification of products through value addition and creation of a long-lasting impact in the country through increased gains and brand equity.



Export Performance during the Period

Tea, horticulture and textiles/apparels accounted for 49.3% of the total export earnings in 2017, totalling to Kshs. 594.1 billion. Direct exports that constitute locally produced goods grew marginally by 4.8% while re-exports declined by 11.2%.

Exports to Asian markets, specifically Pakistan, Indonesia, Thailand and Korea posted a marked increase, pointing at growth prospects that Kenya will need to exploit in the coming years. Exports to North America also posted an increase, where Kenya is leveraging on the AGOA window to grow exports to USA. However, Canada posted a 36% decrease in imports from Kenya.

On the other hand, exports to East African countries posted a decline, which was attributed to the effects of regional integration where entry restrictions were imposed by some of the destination countries hampering export of some of the best performing products. Countries in the region have also increased their manufacturing capacity and are therefore not fully dependent on Kenya as source of manufactured consumer goods. It is also noted that some of the EAC countries are substituting goods initially imported from Kenya with similar products from other countries which are now allowable at lowered duty rates adopted across East Africa. Performance in the European market that mainly absorbs our traditional commodity exports posted a slight increase.

Global economic growth is projected at 3.6% in 2018 even though prospects across the economies remain uneven. Kenya's growth is projected at 5% in 2018 and is likely to continue on the same tangent supported by stable macro-economic environment, rebound in tourism, strong remittance inflows and a pragmatic investment drive.

The prolonged election in 2017/18 affected export performance over and above, drought in most part of Kenya led to crop failure, dying livestock and this increased pressure on the economy with rising cost of power and food, pushing inflation to a five-year high of 10.3% in March 2017. A slowdown in credit growth is also impacting on borrowing following introduction of interest rate caps, thereby affecting private investment. The disruptive geopolitical events such as the BREXIT in Europe and policy uncertainties USA are translating into weakened international capital movements, slowing down growth in the global economies with the biggest impact to developing countries.



Other Keynote Achievements were among others**Product Development**

The Council supported enterprises involved in value addition in the Agriculture, Livestock, Textile and Light Manufactures sectors to develop and adapt products for the export market. The enterprises were selected from those that qualified during the second stage of the Product Development Process, the Instructive Training workshop, used by the Council to assist enterprises enhance the quality of their products with the aim of increasing the number of enterprises participating in export trade and range of products. The first and second stages were carried out in 2016/17 financial year. The enterprises were assisted as follows:

- Onsite coaching: A total of 94 enterprises were coached at their premises on enhancing the quality of their products and improvement of the production process. The objective was to ensure the products met international standards and their competitiveness was increased.
- Mini Exhibition: Sixty three (63) of the 94 enterprises that took part in the onsite coaching were facilitated to showcase the newly developed and modified products in Nairobi for feedback before participating in market linkage in the regional and international markets.
- Test marketing: Thirty eight (38) of the 63 enterprises participated in two test marketing events in Birmingham, United Kingdom and Addis Ababa, Ethiopia. During the test marketing the enterprises got more feedback on areas of improvement and enquires that could lead to business orders.

Export Trade Training

Most small and medium enterprises in Kenya who are interested in getting into export trade do not understand the export trade process and market requirements. They therefore shy away from export trade or expose themselves to export transaction risks some of which could be avoided if they acquired the necessary knowledge.

In the recognition of this knowledge gap and in an effort to promote public awareness on the need for export, the Council has developed various training modules used to train prospective and new entrepreneurs. During the financial year, 11 entrepreneurs were trained on export readiness, logistics and marketing; 209 on export awareness in Migori, Marsabit and Makuani counties; and 96 in the tea sector on export readiness.



Market Development

Guided by the Kenya Export Market Development Program (KEMDP), the Council participated in 3 Local shows, 2 International Trade Fairs and one International Exposition; where a representation of different sectors in goods and services were represented. The Events were;

Expo 2017 Astana, Kazakhstan from 10th June to 10th September 2017 exhibiting through 3 Thematic months with the lead Theme being in Energy. Although the highest representation was from the Energy sector, there was representation from Commercial Crafts, Coffee, Tea, Edible Nuts, textiles and leather sectors.

Activities at the Kenya Pavilion included;

- sampling of Kenyan top exportable products
- selling of Kenyan souvenirs
- exhibit of Kenyan tourism sector
- Kenya-Kazakhstan Trade and Investment Forum
- Kenya Half Marathon at the Expo

National Export Development Promotion Strategy

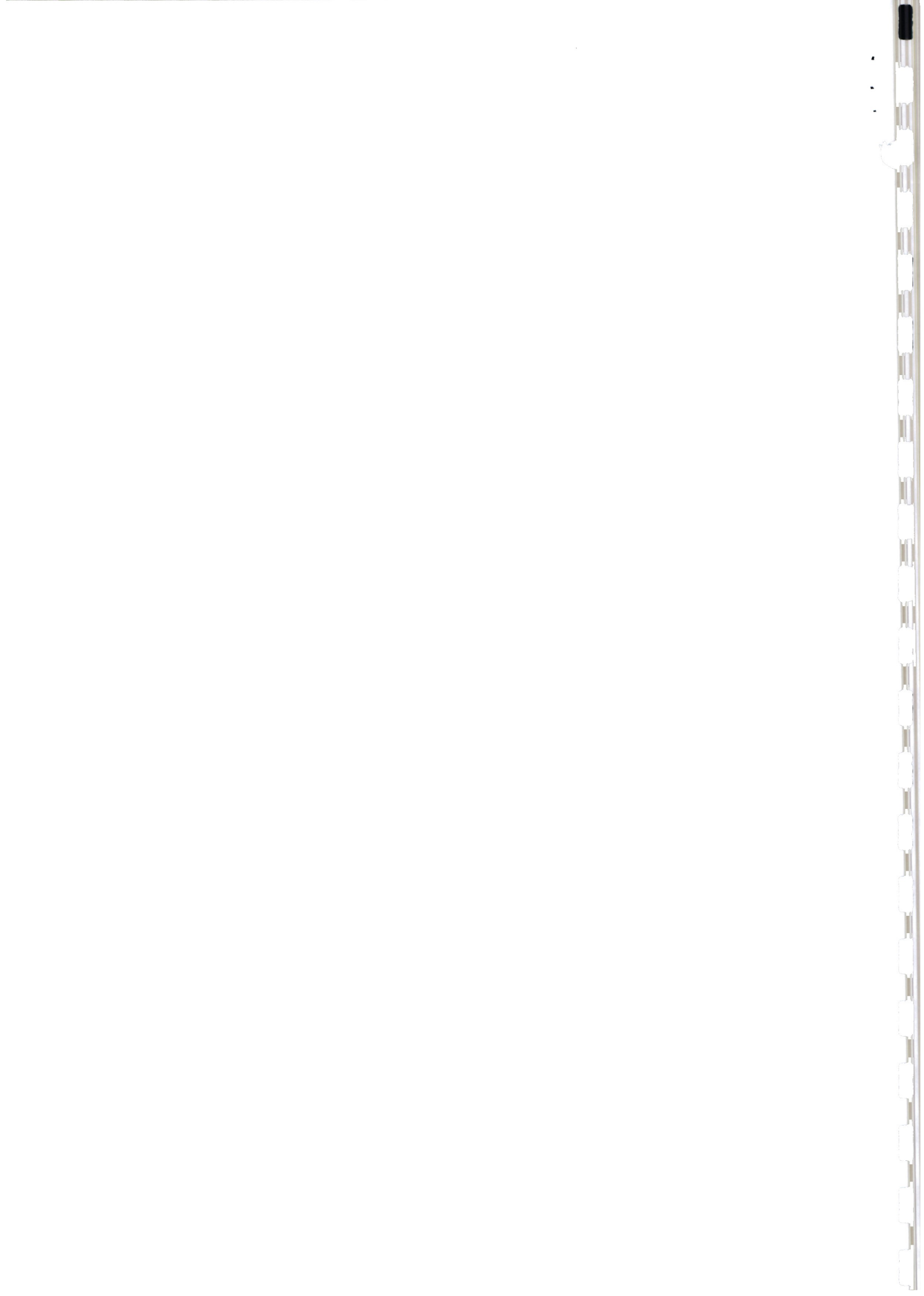
The Council with the State department for Trade developed the National Export Development and Promotion Strategy which guides the strategic direction of Kenya's export development activities and promotion of exports globally.

Export Market Survey and Research:

The Council undertook market research in the Republic of Ghana with an aim of understanding export potentials which are available in this market. The findings of the research were disseminated to our stakeholders in the export sector and formed the basis for strategic planning of our subsequent market export development activities.

Mitigating the Challenges through Market Development and Consolidation

According to the International Monetary Fund (IMF: *Regional Economic Outlook, May 2017*), the growth momentum in sub-Saharan Africa slowed sharply in 2016, averaging 1.4 percent, the lowest in two decades. 2017 had slight improvements even though it was still a difficult for many countries in the continent.



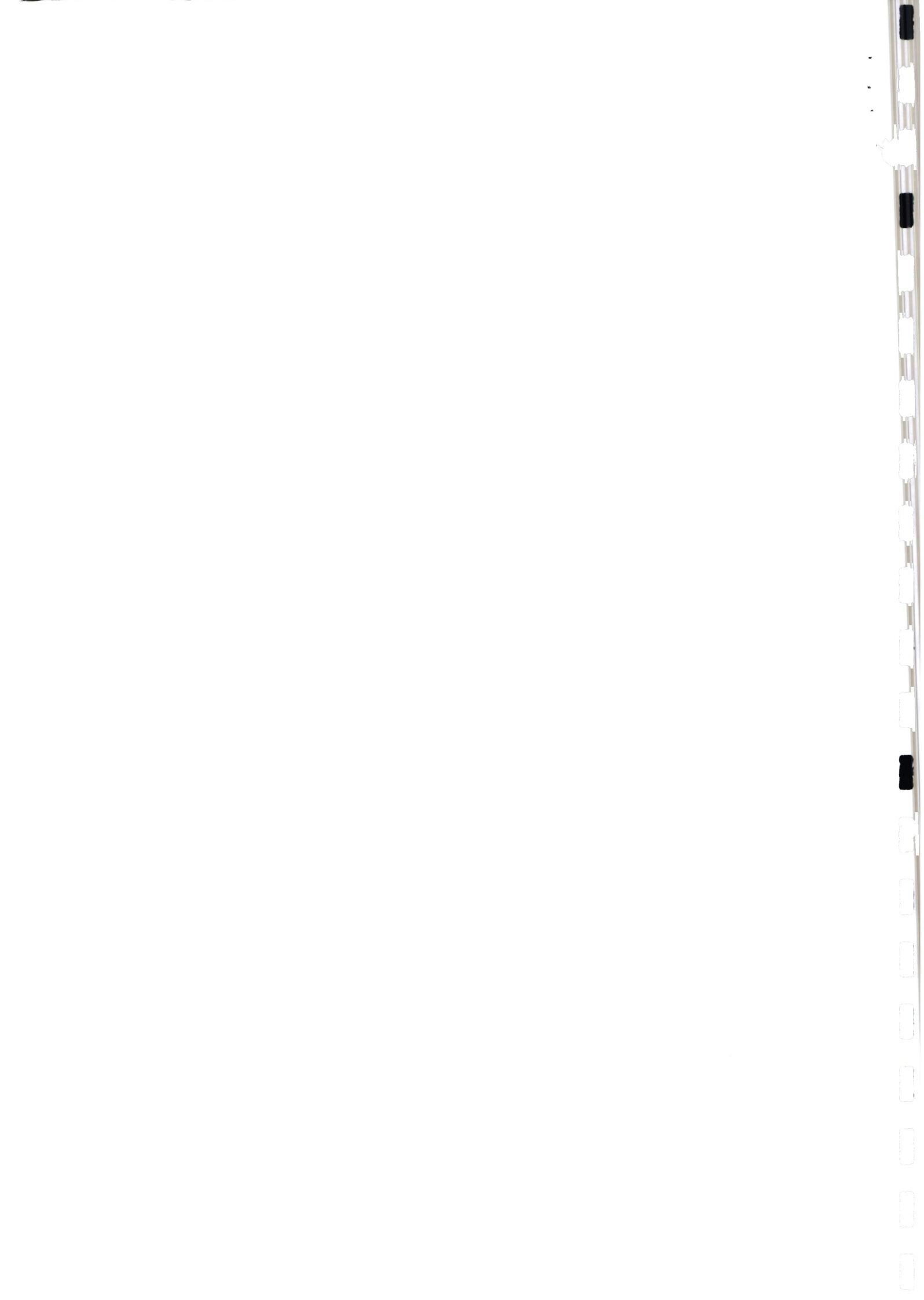
To contain this situation, the Council has partnered with the State Department of Trade and developed the National Trade Policy and the National Export Development Strategy. These policy documents are expected to provide guidelines that will enable the Council to navigate through the identified challenges, and access new and emerging markets. The policy documents also provide frameworks of collaboration with County Governments and Regional Development bodies in export value-chain activities as a devolved function. The collaborations will be anchored on the objectives of the Strategic Plan 2017-2022 that seeks to commit players in the export sector to achieving annual growth targets of 15% so as to reduce Kenya's trade deficit to 50% by the year 2030.

In addition, the Council has embarked on a market prioritization programme targeting destinations that hold great potential for export of specific products. The markets are expected to absorb the products generated through the stated collaboration with the devolved units of Government and regional development authorities. Among the countries that the Council has conducted market surveys, include the Republic of Nigeria, Ethiopia, Angola and Ghana. Through the surveys, the Council obtains crucial data and insights that are disseminated to stakeholders to enable them venture decisively into the markets. The surveys have brought out export potentials, entry requirements, dynamics, tastes and preferences, tariff and non-tariff barriers, bilateral arrangements, infrastructure and support networks, and challenges likely to be faced by Kenyan exporters venturing into such markets. The findings of the surveys have been disseminated to stakeholders and the Council will continue to avail crucial information on the markets to exporters.

Ongoing Programmes

During the Year, the Council continued to partner with Government and other strategic partners in fast-tracking various projects that are intended to enhance Kenya's export competitiveness both at the regional and international levels. Key among them are:

1. The Council also signed Memorandums of Understanding (MOU) with various Counties and Development Authorities, among others for sharing market information, collaboration in marketing research activities, implementation of trade promotion activities, organizing training programs and exchange of experts.
2. In conjunction with the Commonwealth Secretariat (COMSEC) and the International Road Transport Union (IRU), the TIR (Transport Internationaux Routiers) Carnet, which is a road and rail transport system that facilitates efficient movement of cargo from the origin to destination through an electronic tracking and security system;



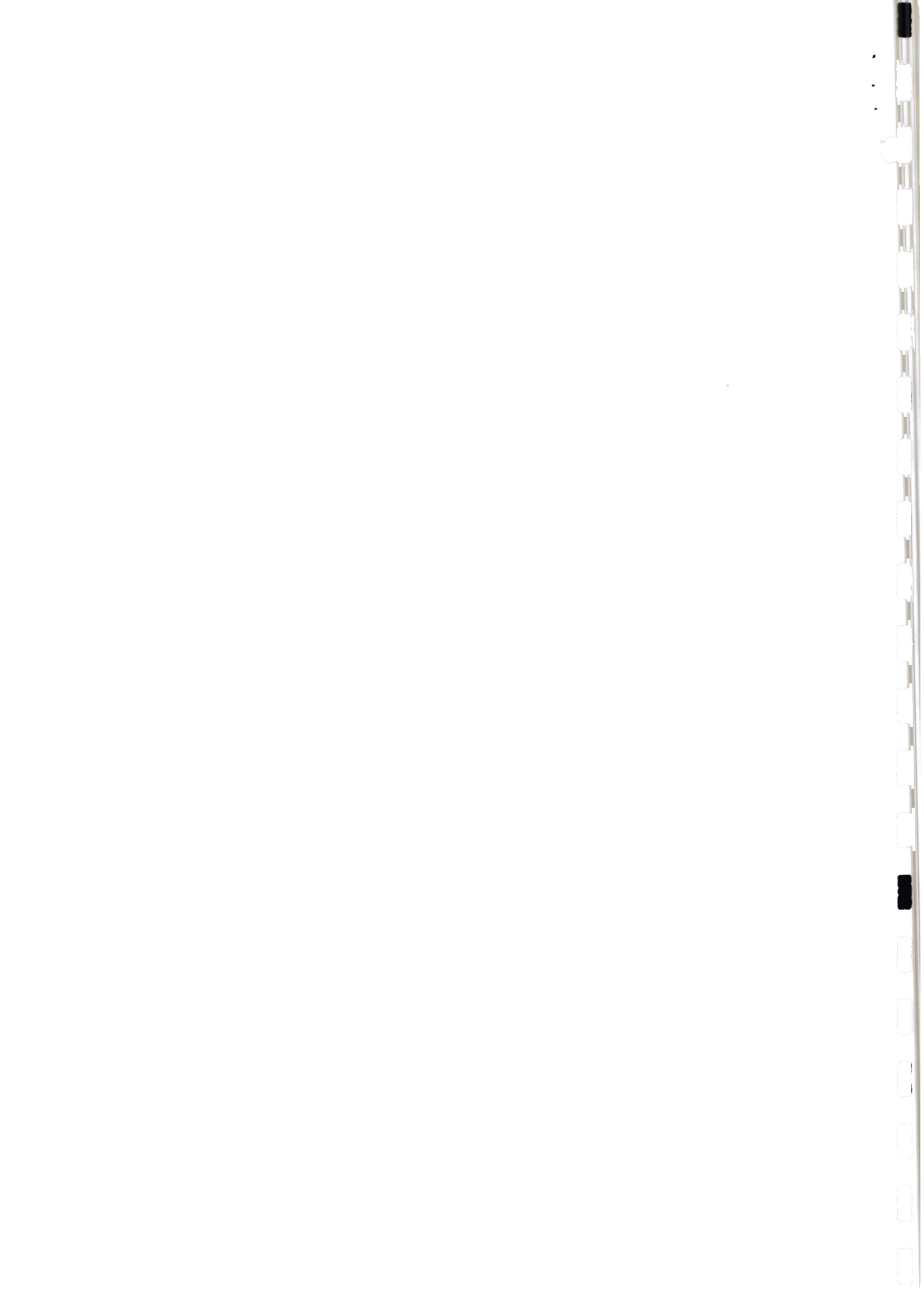


3. In collaboration with other government agencies assisted a number of enterprises develop their products and also conducted test markets in Ethiopia, Addis and United Kingdom, Birmingham.
4. In conjunction with the County Governments, the Integrated County Approach, where the Council is establishing export competitiveness in the devolved Governments through value addition of agricultural and mineral resources;

Appreciation

I take this opportunity to thank the Ministry of Industry, Trade and Co-operatives, the mother Ministry that has continued to offer unparalleled support to the Council in the execution of programme activities. I also extend appreciation to our stakeholders for their active participation in the export market development programmes that have registered great success in the East African Region, the rest of Africa and other emerging international markets. Finally, I commend the staff of the Council, whose commitment has ensured accomplishment of scheduled activities in wake of existing and emerging challenges.

Peter Biwott
CHIEF EXECUTIVE OFFICER





CORPORATE GOVERNANCE STATEMENT

The Export Promotion Council is a body corporate established through legal notice 4342 of 1992 for purposes of promoting exports by assisting exporters and producers to overcome bottlenecks consequently achieving high levels of export performance.

Corporate governance is the process and structure used by the Council to direct and manage its business affairs. This enables the Council to enhance corporate performance, prosperity, and accounting and to achieve long term value to government taking cognizance of the interest of other stake holders. This statement sets out the main corporate governance practices and structures in the Council.

The corporation is in compliance with the Mwongozo Code of Governance established to ensure effective and efficient use of public resources in order to achieve our shared goals. The Code of Governance confirms to the Constitution of Kenya (2010) as it is anchored in various articles. Article 10 which embeds the national values and principles of governance, Article 73 entrenching the guiding principles of leadership and integrity and Article 232 which stipulates the national values and principles of public service.

The Board of Directors of the Export Promotion Council (EPC) is responsible for the governance of the Council and is accountable to the government and stakeholders in ensuring compliance with the relevant laws governing its operation, best practice and the highest standards of business ethics. Accordingly, the Directors attach great importance to the need to conduct the business and operations of the Council with integrity, professionalism and has embraced the internationally developed principles and code of best practice of good corporate governance.

Board of Directors

There is established an Export Promotion Council Board of Directors. It is provided for under the council's Memorandum and Articles of Association, Article 24 charged with the responsibility of managing the business of the council.

The Board's responsibilities are broadly set in the Board Charter. The Charter further outlines the core commitment required of members of the Board to discharge their mandates. It ensures the effectiveness of each Director's contribution in the governance of the Council by facilitating full and free exercise of independent judgment and professional competencies. The Board defines the Council's strategies, objectives and values. They also ensure that procedures and policies are set in place to ensure effective control over



strategic, financial, operational and compliance issues. Except for policy guidance and direction the Board delegates authority of its day – to – day business to the Management through the Chief Executive. It is none the less responsible for the stewardship of the Council and assumes responsibilities for the effective control over the Council.

The board in the performance of its functions is guided by the provisions of the Constitution (2010) and the Mwongozo code of Governance among other laws. The boards as well as management have continued to uphold the core values of the organization. In line with the core values the board championed the development of the Strategic Plan, 2018 – 2022. The focus of this strategic plan is to create and deliver higher value to customers, to enable market access for Kenyan produced goods and services.

The plan embraces a heightened passion for exports within the Country to meet the President's pronouncement to the Nation to work towards the Big 4 Agenda namely Food Security, Better housing, Universal healthcare and above all manufacturing sector.

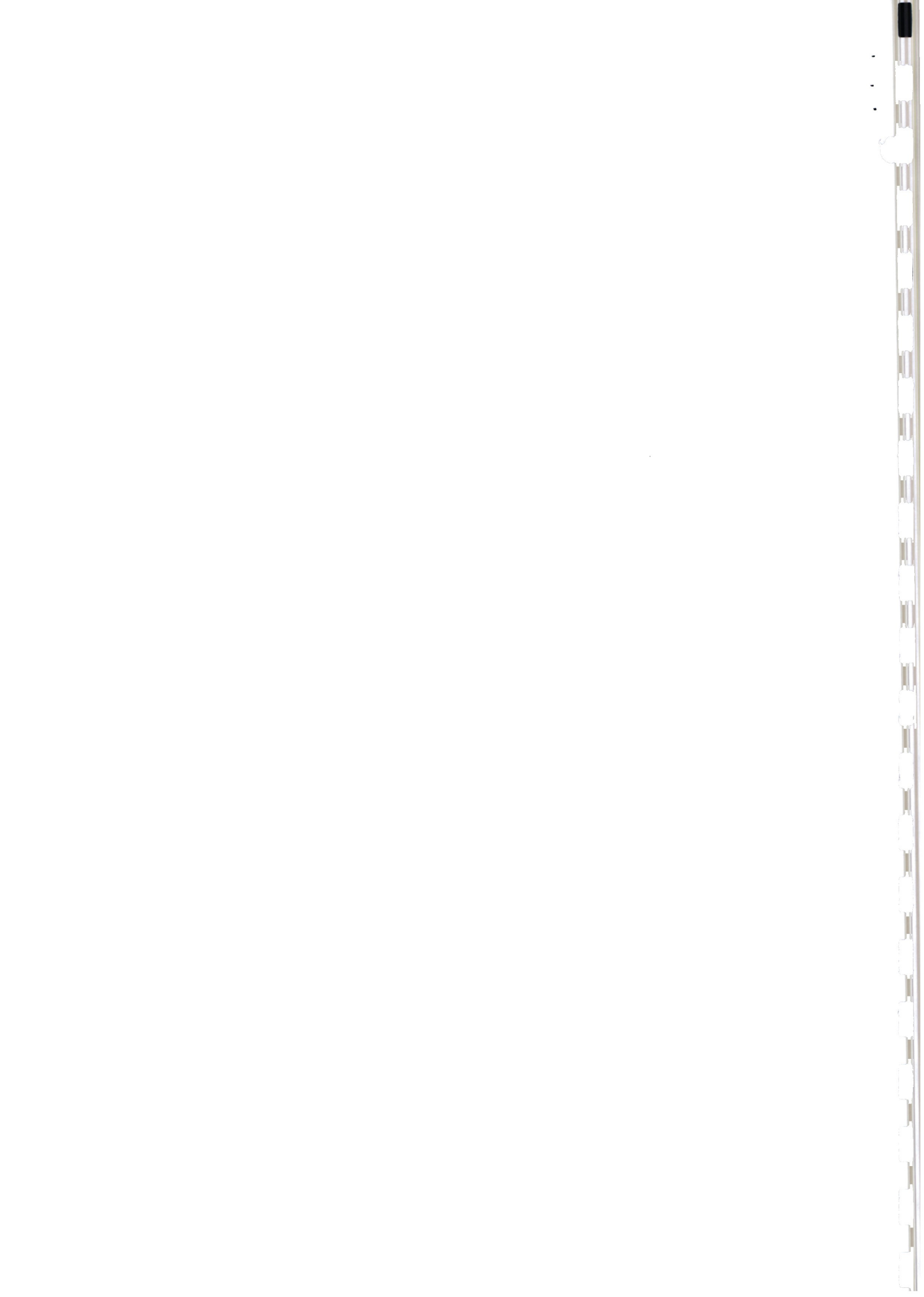
Board Meetings

The board has its own calendar of both regular and special meetings set out in the Mwongozo and Control of Board expenses Circular Ref: OP.CAB.9/1A. The Board held four (4) regular meetings and special meetings during the year under review. The Inspector General of State Corporations from time to time attends meetings of the Board and Board Committees for oversight and advisory purposes in accordance to the State Corporation Act. All the non- executive Directors of the Board are independent of Management and free from any business relationship that could materially interfere with the exercise of their independent judgment. In addition each Director is obligated to disclose to the Board any real or potential conflict of interest, which comes to his/her attention, whether directly or indirectly.

During the 2017/2018 financial year, the Board and its Committees met on various occasions to consider several issues. The Board and its Committees held a total of sixty meetings during the year as analyzed below:



Member	Finance & Resource Mobilization Committee meetings	Strategy, Market Development Committee	Human Resource & Administration Committee	Audit, Risk & Governance Committee	Expo Astana Ad Hoc Committee	EPC @25 Meeting	Board Committee Chairs Meeting	Ad Hoc Committees On Staff Recruitments	Full Board Meetings
Mr. Jaswinder Bedi EBS	-	-	-	-	-	1	-	-	6
Ms. Mona W. Karingi	-	3	5	-	2	1	-	-	6
Ms. Flora Mutahi	5	3	-	-	-	1	-	-	6
Mr. Oliver Konje	5	-	-	3	-	-	-	-	4
Mr. Albert K. Wakamau	6	-	15	-	-	1	1	-	5
Dr. Isaya Maana	-	-	3	5	-	1	-	-	5
Mr. Joseph Mutuma	5	-	1	4	-	1	-	-	2
Mr. Wilfred Mwanzia	-	5	15	-	-	1	-	14	6
Mr. Solomon Boit – EBS, CBS	6	-	7	4	6	1	1	14	6
Prof. George O. Achoki	5	4	1	-	6	1	1	14	6
Mr. Mohamed Bwika	-	5	15	4	4	1	-	14	6
Ms. Binti Hamad C. Mwamaingu	-	5	-	5	1	1	-	-	6
Ms. Veska Kangogo	1	-	9	2	3	-	1	-	3
Mr. Peter K. Biwott	4	3	9	3	2	1	-	13	6



Board Effectiveness



Committees of the Board

The Board has set up the following principal Committees which meet under well-defined terms of reference set by the Board. This is intended to facilitate efficient decision making of the Board in carrying out its duties and responsibilities.



Strategy and Market Promotion Committee

The Committee is responsible for advising the Board on Development, Promotion and diversification of export goods, services and markets and facilitating development of export oriented enterprises.

The membership of the Committee is comprised as follows:

Ms. Mona W. Karingi	-	Chairperson
Ms. Flora Mutahi	-	Member
Ms. Bintihamad C. Mwamaingu	-	Member
Mr. Wilfred Mwanzia	-	Member
Prof. George Achoki	-	Member
Mr. Mohamed S. Bwika	-	Member

The Committee held four (4) regular meetings.

a) Human Resources & Administration Committee

The committee is responsible for assisting the Board in discharging its duty in overseeing the establishment of appropriate administrative and human resources policies and procedures.

The membership of the Committee is comprised as follows:

Mr. Solomon S. Boit – EBS, CBS	-	Chairman
Ms. Mona W. Karingi	-	Member
Mr. Mohamed S. Bwika	-	Member
Dr. Isaya Maana	-	Member
Mr. Albert K. Wakamau	-	Member
Mr. Wilfred Mwanzia	-	Member

The Committee held four (4) regular meetings and special meetings in the year and review



b) Finance and Resource Mobilization Committee

The Committee is responsible for advising the Board on financial reporting processes, the system of internal control, compliance to policies and procedures, budgeting of the Council's activities and programmes and ensuring sustainability of the Council.

The membership of the Committee is comprised as follows:

Prof. George O. Achoki	-	Chairman
Mr. Oliver Konje	-	Member
Ms. Flora Mutahi	-	Member
Mr. Solomon Boit – EBS, CBS	-	Member
Mr. Joseph Mutuma	-	Member
Mr. Kobia Wakamau	-	Member

The Committee held four (4) regular meetings and special meetings in the period under review.





c) **Audit, Risk and Governance Committee**

The Committee is responsible for assisting the Board and Management in fulfilling its oversight role in financial reporting processes, systems of internal control, internal audit process, risk management and monitoring compliance with laws, regulations and the code of conduct.

The membership of the Committee is comprised as follows:

Mr. Mohamed S. Bwika	-	Chairman
Mr. Oliver Konje	-	Member
Dr. Isaya Maana	-	Member
Mr. Joseph Mutuma	-	Member
Mr. Solomon Boit – EBS, CBS	-	Member
Ms. Bintihamad C. Mwamaingu	-	Member

The Committee held four (4) regular meetings in the period under review.





REPORT OF DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Council's affairs.

Principal activities

The principal activities of the entity is promoting exports, through strategic assistance to producers of exportable goods and services in overcoming bottlenecks, to enable them achieve a higher level of export performance. The national mandate therefore requires the Council to facilitate export development in a holistic manner and to appropriately respond to the current need of exporters.

Results

The results of the entity for the year ended June 30, 2018 are set out on page 1 to 26.

Directors

The members of the Board of Directors who served during the year are shown on page x to xv.

Auditors

The Auditor General is responsible for the statutory audit of the Council in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Mr. Peter Biwott
Chief Executive Officer/Secretary to The Board
NAIROBI

Date: 25th September 2018



STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 (3) of the Public Finance Management Act, 2012 and Section 14 the State Corporations Act, require the Directors to prepare financial statements in respect of that Council, which give a true and fair view of the state of affairs of the Council at the end of the financial year and the operating results of the Council for financial year ending 30th June 2018. The Directors are also required to ensure that the Council keeps proper accounting records which disclose with reasonable accuracy the financial position of the Council. The Directors are also responsible for safeguarding the assets of the Council.

The Directors are responsible for the preparation and presentation of the Council's financial statements, which give a true and fair view of the state of affairs of the Council as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Council; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Council's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Council's financial statements give a true and fair view of the state of Council's transactions during the financial year ended June 30, 2018, and of the Council's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Council, which have been relied upon in the preparation of the Council's financial statements as well as the adequacy of the systems of internal financial control.

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





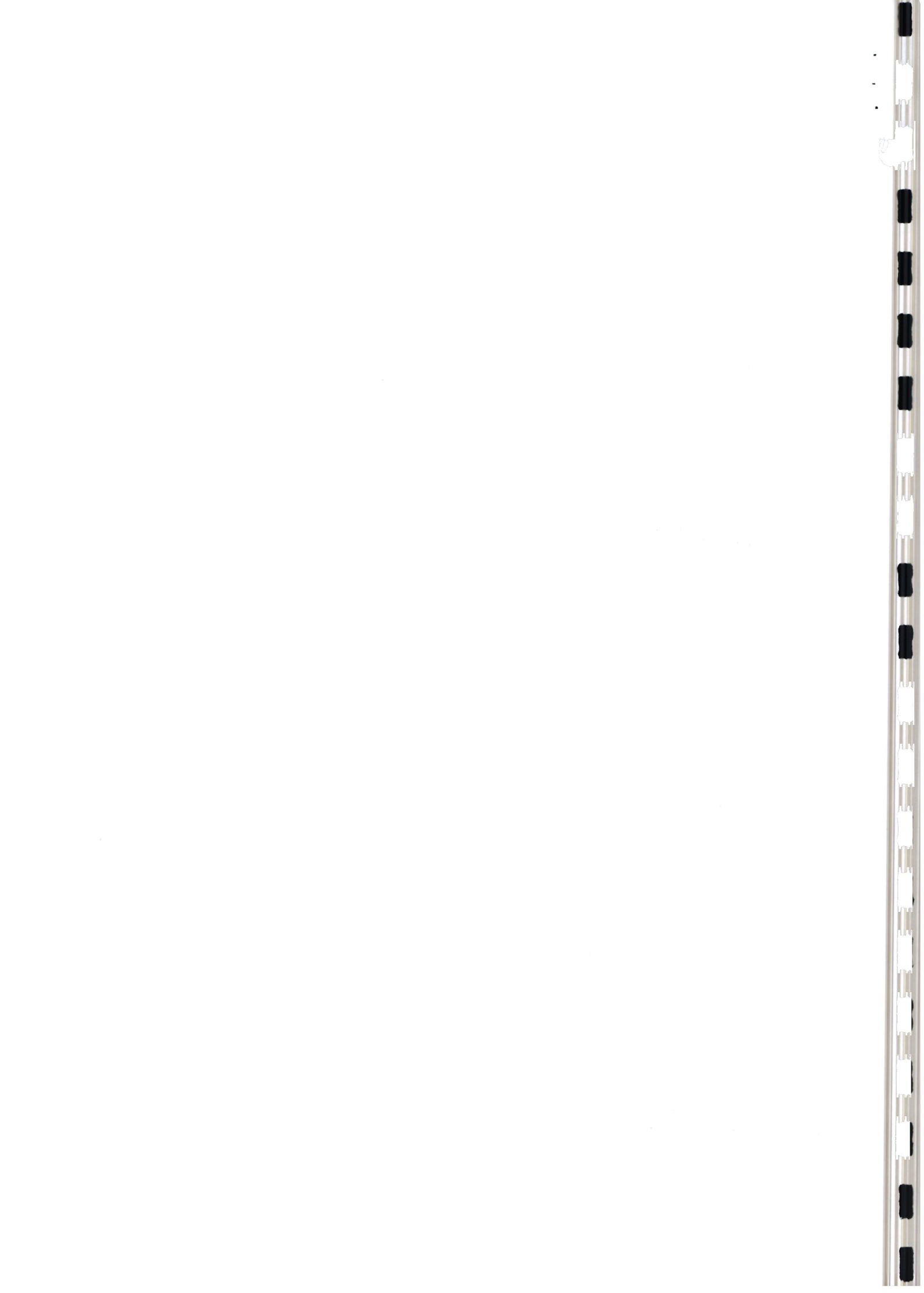
Approval of the financial statements

The Council's financial statements were approved by the Board on 25th September 2018 and signed on its behalf by:

Mr. Jaswinder Bedi - EBS
CHAIRMAN

Peter Biwott
CHIEF EXECUTIVE OFFICER/SECRETARY

Ms. Christine Mwaka
GENERAL MANAGER FINANCE ICPAK NO. 3025



REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON EXPORT PROMOTION COUNCIL FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Export Promotion Council set out on pages 1 to 27, which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. 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.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Export Promotion Council as at 30 June 2018, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenyan Companies Act, 2015.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Export Promotion Council in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unqualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no Key Audit Matters to report in the year under review.

Report of the Auditor-General on the Financial Statements of Export Promotion Council for the year ended 30 June 2018

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC MONEY

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

As required by Section 7 (1) (a) of the Public Audit Act, 2015, except the matter discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that, nothing else has come to my attention to cause me to belief that internal controls, risk management and governance were not effective.

Basis for Conclusion

Information Technology (IT) Internal Control Weaknesses

The Council did not have a formal, documented and tested emergency procedure as well as strategic IT committee, IT strategic plan, defined roles and responsibilities for each IT function / role-player and training program to build IT capacity. There was also no formally documented and approved processes to manage upgrades made to all financial or performance information systems. Consequently, the systems are prone to errors and this may affect the organization performance and IT services could be interrupted and data could also be corrupted.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act 2015 I report based on the audit ,that;

- (i) 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
- (ii) In my opinion, adequate accounting records have been kept by the Council, far as appears from the examination of these records;
- (iii) The statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the accounting records and returns.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control. In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intend to have the Council cease operations or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public money is applied in an effective manner.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit 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 my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is

not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness 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.

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

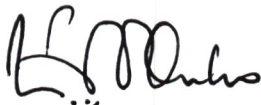
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management'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 Council's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Council to cease to continue to sustain its services.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Council to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

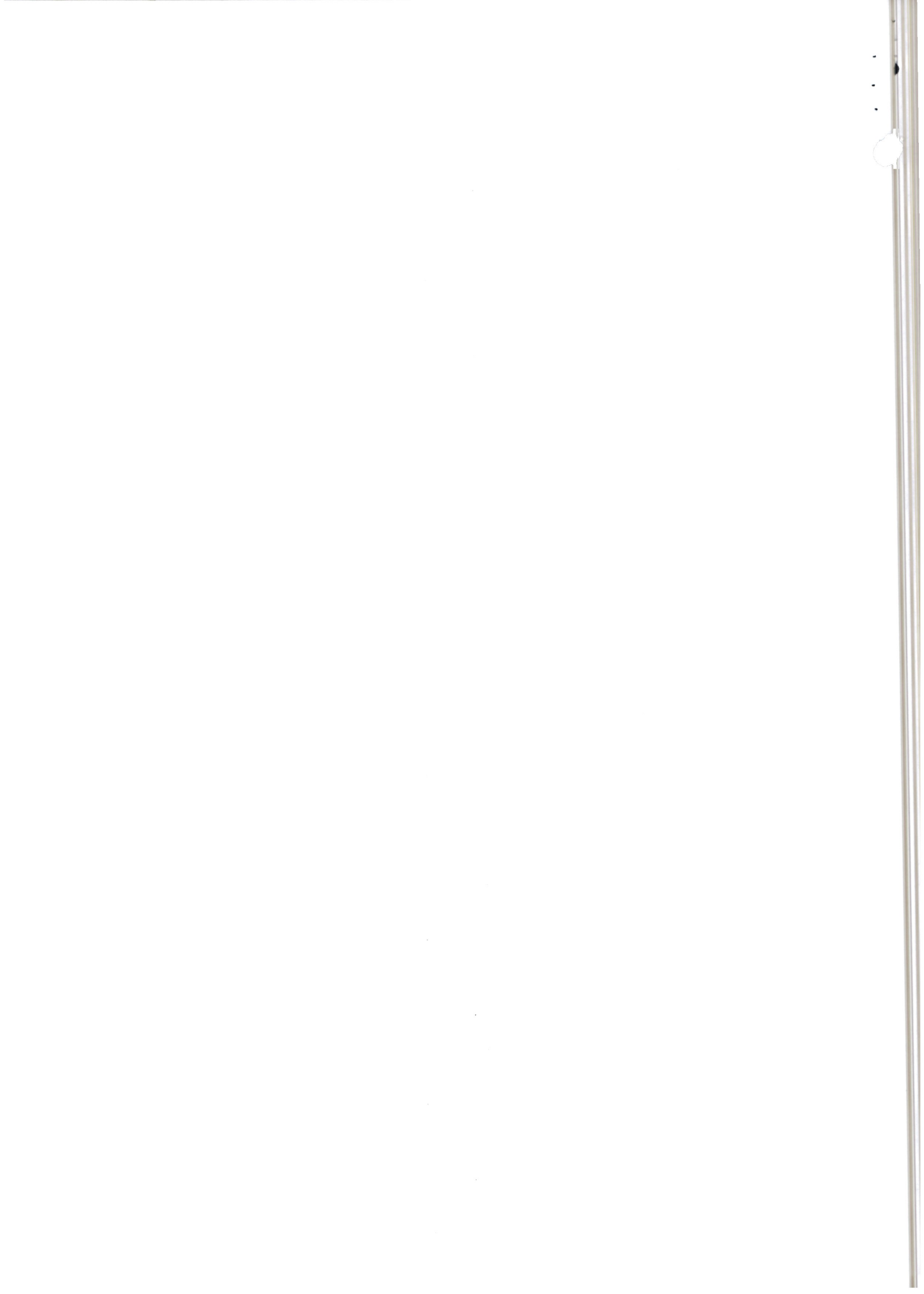
I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

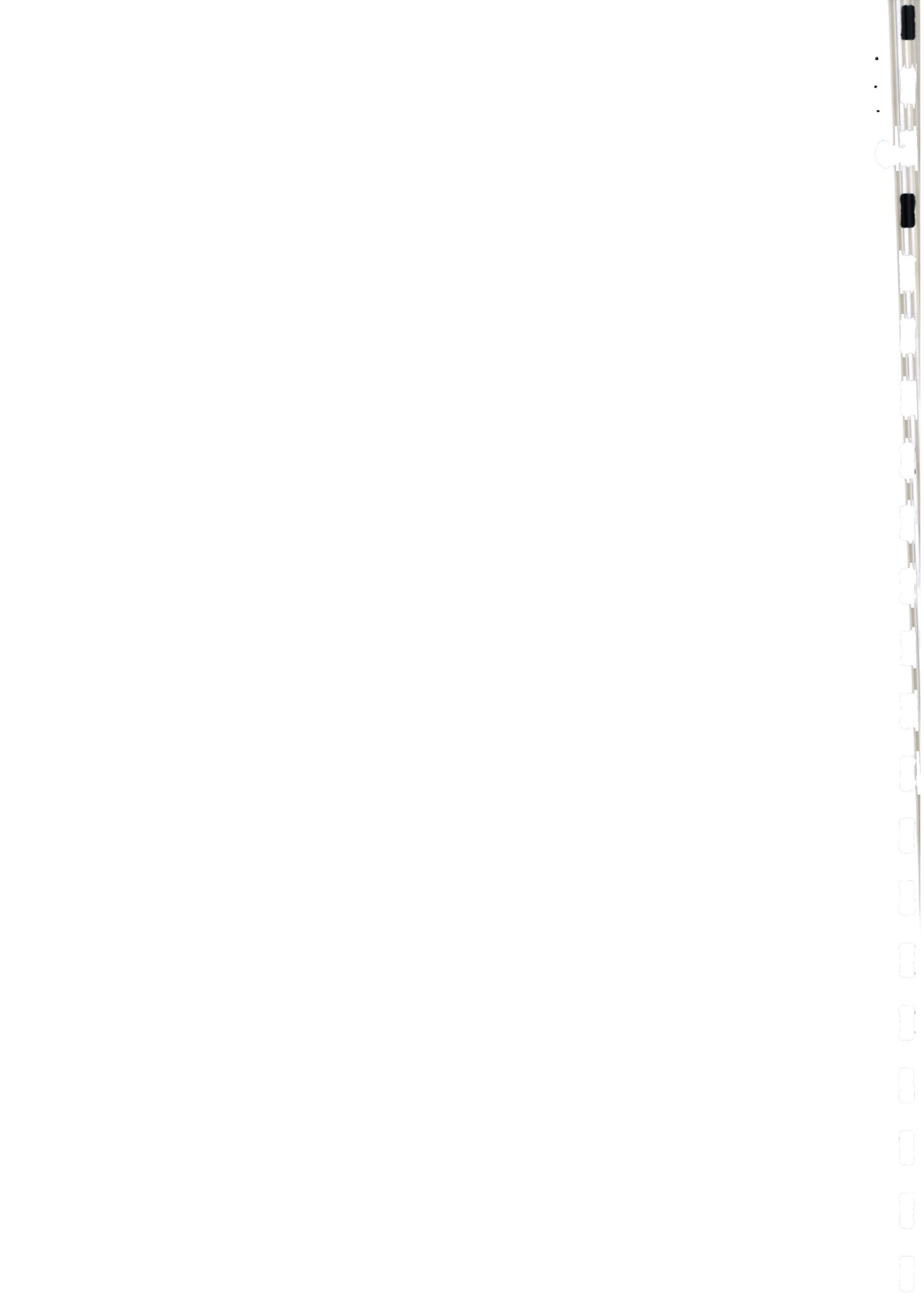
Nairobi

04 July 2019



**STATEMENT OF FINANCIAL PERFORMANCE
AS AT 30TH JUNE 2018**

	Note	2018	2017
		KShs	KShs
INCOME			
Grants Received	4	536,700,000	492,000,000
Deferred Income	3	<u>(92,000,000)</u>	<u>(160,700,000)</u>
		444,700,000	331,300,000
COST RECOVERIES	5	<u>2,290,556</u>	<u>3,435,422</u>
		<u>446,990,556</u>	<u>334,735,422</u>
EXPENSES			
Administrative expenses	6a	87,110,109	84,003,066
Depreciation and Amortization	6b	5,968,900	10,094,223
Staff Costs	7	99,878,639	104,207,817
Directors Emoluments	8	19,824,728	20,157,908
Other operating expenses	9	<u>220,876,875</u>	<u>113,425,912</u>
		<u>433,659,251</u>	<u>331,888,926</u>
SURPLUS / (DEFICIT)	11	<u>13,331,305</u>	<u>2,846,496</u>
Exchange Loss from Operations		6,500	0
SURPLUS / (DEFICIT) AMOUNT FOR THE YEAR		13,324,805	2,846,496



**STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2018**



		<u>2018</u>	<u>2017</u>
		KShs	KShs
ASSETS			
NON-CURRENT ASSETS			
Property and Equipment	12	24,965,583	16,593,978
Intangible assets	13	<u>20,825</u>	<u>33,320</u>
		<u>24,986,408</u>	<u>16,627,298</u>
CURRENT ASSETS			
Accounts Receivable	14	36,200,315	34,978,378
Investment in Call Deposits	15	566,292	533,519
Bank and Cash balances	15	259,525,990	276,329,755
		<u>296,292,597</u>	<u>311,841,651</u>
TOTAL ASSETS		<u>321,279,005</u>	<u>328,468,948</u>
RESERVES AND LIABILITIES			
RESERVES			
General fund	16	81,520,117	68,090,983
Non-Current Liabilities			
Staff Welfare Scheme	17	99,628,462	86,334,734
CURRENT LIABILITIES			
Accounts Payables	18	<u>140,130,425</u>	<u>174,043,231</u>
TOTAL RESERVES AND LIABILITIES		<u>321,279,005</u>	<u>328,468,948</u>


The draft financial statements were approved by the Board of Directors on 25th September 2018 and signed on its behalf by: -


 Mr. Jaswinder Bedi – EBS
 CHAIRMAN

25th September 2018
 Date


 Mr. Peter Biwott
 CHIEF EXECUTIVE OFFICER/SECRETARY

25th September 2018
 Date


 Ms. Christine Mwaka
 GENERAL MANAGER FINANCE ICPAK NO. 3025

25th September 2018
 Date



**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30TH JUNE 2018**

	General Fund KShs	Foreign Currency Translation Reserve KShs	Restated Total Reserves KShs
Year ended 30th June, 2015			
Balance B/F (As at 1st July 2014)	61,352,529		61,352,529
Surplus for the Year	7,052,245		7,052,245
Balance as at 30th June 2015	<u>68,404,774</u>	0	<u>68,404,774</u>
Balance B/F (As at 1st July 2015)	68,404,774		68,404,774
Surplus/ (Deficit) for the Year	<u>(3,160,288)</u>		<u>(3,160,288)</u>
Balance as at 30th June 2016	<u>65,244,486</u>	0	<u>65,244,486</u>
Balance B/F (As at 1st July 2016)	65,244,487		65,244,487
Surplus/ (Deficit) for the Year	<u>2,846,496</u>		<u>2,846,496</u>
Balance as at 30th June 2017	<u>68,090,984</u>	0	<u>68,090,984</u>
Balance B/F (As at 1st July 2017)	68,090,984		68,090,984
Surplus/ (Deficit) for the Year	13,331,305		13,331,305
Capitalization of Investment Interest	104,328		104,328
Exchange Loss from operations		<u>(6,500)</u>	<u>(6,500)</u>
Balance as at 30th June 2018	<u>81,526,617</u>	<u>(6,500)</u>	<u>81,520,117</u>



STATEMENT OF CASHFLOWS
THE YEAR ENDED 30TH JUNE 2018

	Notes	2,018 KShs	2,017 KShs
Surplus/ (Deficit) for the year		13,331,305	2,846,496
Adjustments for: -			
Depreciation of equipment and motor vehicles	12	5,956,404	10,081,728
Amortization	13	12,495	12,495
Exchange Loss from operations	11	(6,500)	
Capitalization of Investment Interest	16	104,328	
Operating Surplus before Working Capital Changes		19,398,033	12,940,719
Accounts receivables	14	(1,221,939)	(7,145,490)
Accounts payables	17 &18	<u>(20,619,077)</u>	<u>155,675,131</u>
Net Cash flows utilized in operating activities		<u>(2,442,982)</u>	<u>161,470,360</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net reclassification of property and equipment			
Purchase of property and equipment	12	(14,328,009)	
Proceeds from sale of equipment			
Net cash flows utilized in investing activities		(14,328,009)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(16,770,992)</u>	<u>161,470,360</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	15	276,863,272	115,392,912
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>260,092,281</u>	<u>276,863,272</u>



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2018



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS						
	ORIGINAL BUDGET	Internal ADJUSTMENT	BUDGET	ACTUAL	PERFORMANCE DIFFERENCE	Remarks
	2017/2017		2017/2018	2017/2018	2017/2018	
	KSHS.		KSHS.	KSHS.	KSHS.	
INCOME						
GRANTS RECEIVED	360,000,000		360,000,000	360,000,000	0	
OTHER DONORS	10,000,000	5,000,000	15,000,000	16,000,000	-1,000,000	Support from Kenya Commercial Bank for Kenya National Trade Week.
COST RECOVERIES	1,610,000		1,610,000	2,290,556	-680,556	Under collection of income for the year
					0	
					0	
DEFERRED FUNDS						
DEFERRED INCOME (2016/17) B/F	160,700,000		160,700,000	160,700,000	0	
TOTAL INCOME	532,310,000	5,000,000	537,310,000	538,990,556	-1,680,556	
EXPENSES						
Office rent and rates	27,915,218		27,915,218	27,871,251	43,967	
Depreciation & Amortization	0	3,565,782	3,565,782	5,968,900	-2,403,118	
Medical expenses	14,500,000		14,500,000	13,075,095	1,424,905	
Other Administration expenses	17,499,782	30,701,209	48,200,991	46,163,763	2,037,228	Budget Deferred next FY 2018/19
Acquisition of Working Tools (furniture & Fittings, ERP, ICT Equipments and staff Van)	43,595,000	-6,266,991	37,328,009	14,328,009	23,000,000	Budget Deferred next FY 2018/19
Staff Costs	123,000,000	-23,000,000	100,000,000	99,878,639	121,361	
Directors' Expenses	18,000,000		18,000,000	19,824,728	-1,824,728	
Programme Costs and other Operating Expenses	287,800,000		287,800,000	220,876,875	66,923,125	Budget Deferred next FY 2018/19
TOTAL EXPENDITURE	532,310,000	5,000,000	537,310,000	447,987,260	89,322,740	
Note No. 26						
<i>Remarks on analysis of the budget performance difference for the financial year 2017/18 is at Note No. 26</i>						



1. Statement of compliance and basis of preparation – IPSAS 1

The financial statements are prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees

The Council recognizes revenues from fees when the event occurs, and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Council and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Council and can be measured reliably.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.



Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Taxes – IPSAS 12

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

d) Investment property – IPSAS 16

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.



Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use

d) Property, plant and equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Property and equipment are stated at cost, less accumulated depreciation and any impairment losses. Depreciation is calculated to write off the cost of property and equipment in equal annual installments at the following rates:

Furniture and fittings	12.5%
Office equipment	20%
Motor vehicles	25%
Computer equipments	25%

e) Leases – IPSAS 13

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Council. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) Intangible assets – IPSAS 31

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are



carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite, amortization rate is 25%

g) Financial instruments – IPSAS 29

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Council has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.



Impairment of financial assets

The Council assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Council determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

IPSAS 29.65

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.



i) Inventories – IPSAS 12

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

j) Provisions – IPSAS 19

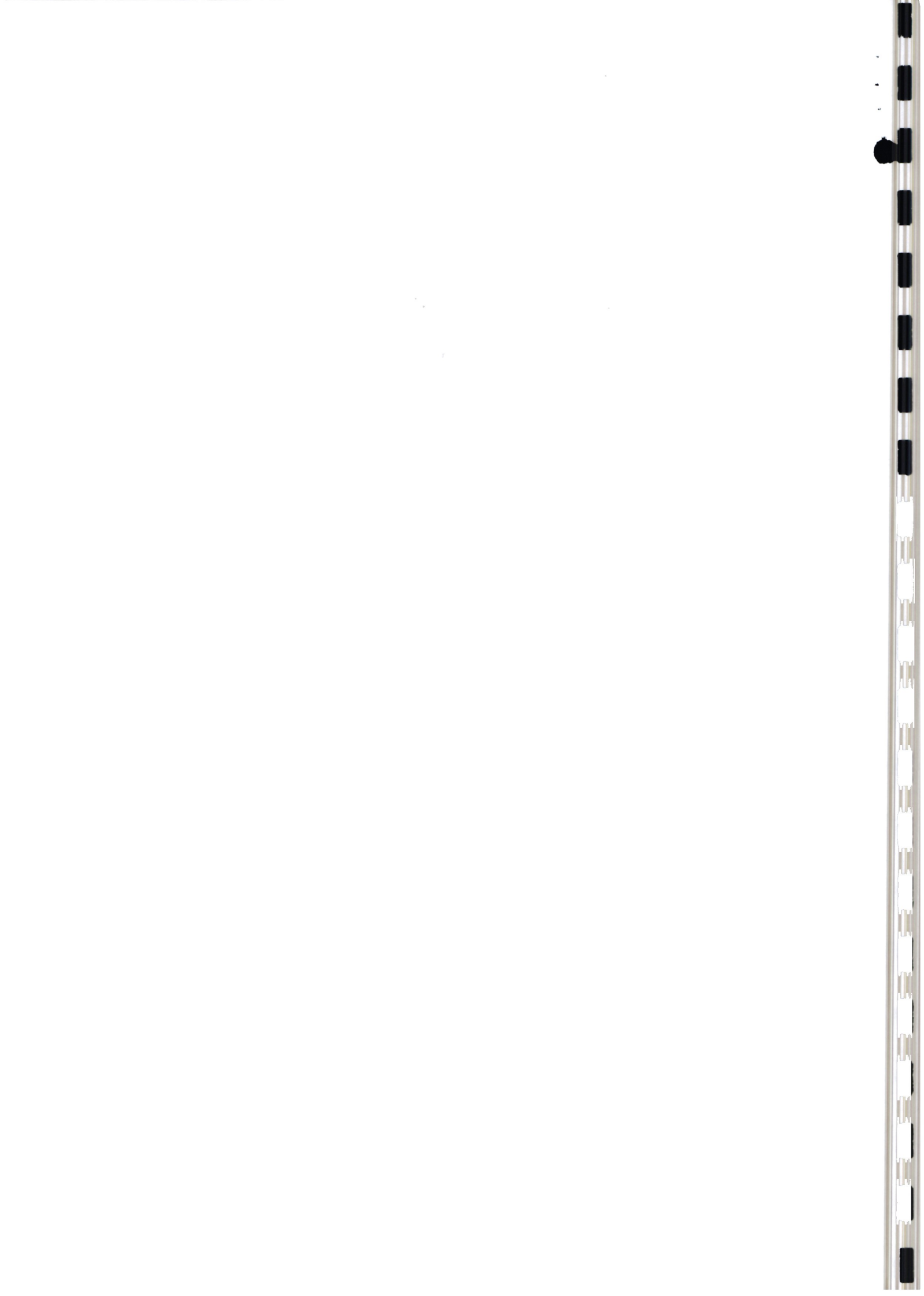
Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Council expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Council does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.



Contingent assets

The Council does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

The Council creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.

l) Changes in accounting policies and estimates – IPSAS 3

The Council recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

m) Employee benefits – IPSAS 25

Retirement benefit plans

The Council provides retirement benefits for its employees, Defined Contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

n) Foreign currency transactions – IPSAS 4

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.



o) Borrowing costs – IPSAS 5

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related parties – IPSAS 20

The Council regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the senior managers.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to Parastatal public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

s) Significant judgments and sources of estimation uncertainty – IPSAS 1

The preparation of the Council's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made.



Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions were raised, and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

t) Subsequent events – IPSAS 14

There is an impending merger between Export Promotion Council and Brand Kenya Board to form KEPROBA (Kenya Export Promotion and Branding Agency).



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2018**



	Detail	2018 KShs	2017 KShs
3.	DEFERRED INCOME		
	EXPO 2017, Astana		146,200,000
	Website Redesign & Branding		4,500,000
	Market Research in Ghana & Strategic Plan		10,000,000
	Crystallized Deferred Fund	160,700,00	0
	Total	<u>160,700,000</u>	<u>160,700,000</u>
4.	GRANTS RECEIVED		
	Grants received from:		
	The Government of Kenya: Recurrent	360,000,000	452,000,000
	The Government of Kenya: Development	0	40,000,000
	Other Donors	16,000,000	0
	Total grants received in 2017/2018	<u>376,000,000</u>	<u>492,000,000</u>
	Deferred Income Brought forward	160,700,000	0
	Total grants for the year	<u>536,700,000</u>	<u>492,000,000</u>
	Deferred Income carried forward	(92,000,000)	(160,700,000)
		<u>444,700,000</u>	<u>331,300,000</u>
5.	COST RECOVERIES		
	Sundry income	106,000	37,826
	Participation fees from trade fairs	1,504,890	2,374,565
	Training income	27,000	65,500
	Income from Centre for Business Information	2,940	
	Interest income from Bank deposits	649,726	957,530
		<u>2,290,556</u>	<u>3,435,422</u>
6.a	ADMINISTRATIVE EXPENSES		
	Office rent and rates	27,871,251	27,364,295
	Travelling expenses	1,844,412	8,987,666
	Medical expenses	13,075,095	12,136,743
	Recruitment and training	6,438,634	7,470,555
	Telephone	3,281,172	4,257,762
	Printing and stationery	4,023,246	2,839,567
	Motor vehicle expenses	2,402,978	1,557,711
	Repairs and maintenance	5,218,754	2,741,601



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2018**



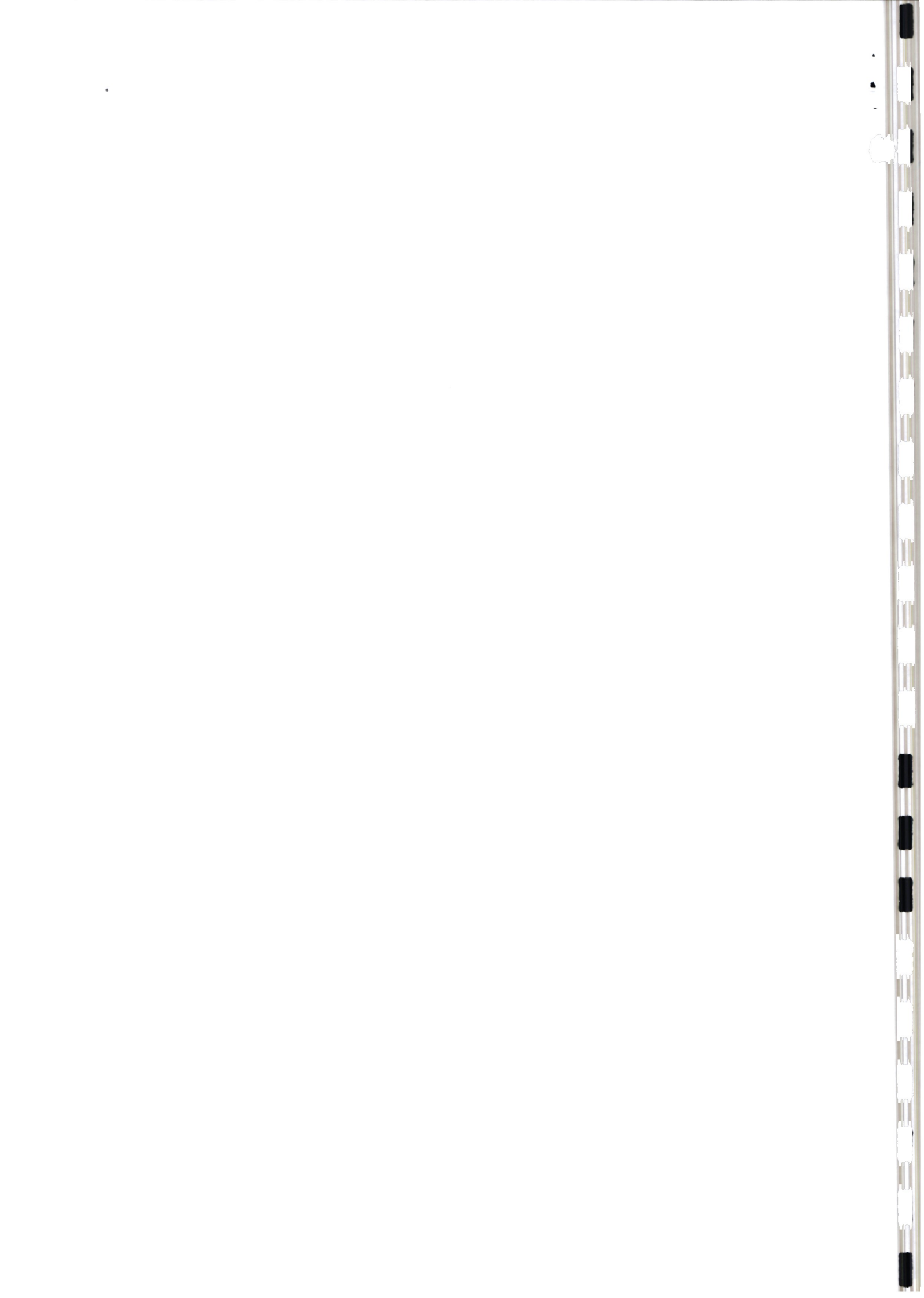
	Details	2018 KShs	2017 KShs
	Insurance	2,602,529	1,270,939
	Postal and internet expenses	2,304,591	2,854,187
	Legal and professional fees	513,300	2,459,200
	Subscriptions	18,000	0
	Newspapers and magazines	135,540	441,374
	Auditors' remuneration	406,000	406,000
	Club subscriptions	868,939	1,325,745
	Liaison and Networking	326,059	1,242,046
	Catering and cleaning	5,099,252	3,688,262
	Internal Audit	136,790	2,545,398
	Staff Welfare Fund	10,000,000	0
	Bank charges	543,568	414,016
		87,110,109	84,003,066
6.b	Depreciation and Amortization		
	Depreciation	5,956,405	10,081,728
	Amortization of intangible assets	12,495	12,495
		5,968,900	10,094,223
7.	STAFF COSTS		
	Basic Pay	45,408,428	45,104,933
	Other Allowances	36,259,371	41,148,826
	Other Personnel Costs	4,990,078	5,093,843
	Staff Welfare Costs	1,445,193	1,366,814
	Internish	846,827	1,106,343
	Pension Cost	6,248,658	8,206,722
	Gratuity Cost	3,718,595	1,099,467
	Group Life Insurance	835,089	961,470
	Social Security Costs- NSSF	126,400	119,400
		99,878,639	104,207,817
8.	DIRECTORS EMOLUMENTS		
	Honoraria and Telephone	756,000	756,000
	Board Allowances	13,262,359	14,507,833
	Travel & Accommodation and Other expenses	5,806,370	4,894,075
	Total	19,824,728	20,157,908



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2018**



9	OTHER OPERATING EXPENSES					
	Expo Expenses			112,256,334		7,022,130
	Fairs and Exhibitions			23,923,134		44,620,856
	Trade Promotion and Publicity			52,408,582		51,098,705
	Advertising and Kenya Trade Week			25,112,625		632,483
	International Organization for Standardization (ISO) Certification			2,328,330		137,400
	CBIK Expenses			3,290,970		6,819,400
	Strategic Evaluation Review			<u>1,556,900</u>		<u>3,094,938.</u>
				<u>220,876,875</u>		<u>113,425,912</u>
10	EXPO EXPENSES					
	This relates to Expo 2017 Astana, which was held between June – September 2017					
	Details			2018		2017
11.	SURPLUS/(DEFICIT) FOR THE YEAR					
	Surplus for the year has been realized after charging:					
	Depreciation			5,956,404		10,081,728
	Amortization of intangible assets			12,495		12,495
	Auditors' remuneration - fees			406,000		406,000
	Exchange Loss from operations			6,500		
12.	PROPERTY, PLANT AND EQUIPMENT					
		Office Equipment KShs	Computer Equipment KShs	Furniture and Fittings KShs	Motor Vehicles KShs	Total KShs
	Cost					
	AT 30th June, 2015	22,220,768	34,653,216	29,151,452	28,227,862	114,253,298
	Additions	29,995	-	1,423,795	17,188,123	18,641,913
	Disposal	-	-	-	-	-
	AT 30th June, 2016	22,250,763	34,653,216	30,575,247	45,415,985	132,895,211



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2018**



Additions	-	-	-	-	-
Disposal	-	-	-	-	-
AT 30th June, 2017	22,250,763	34,653,216	30,575,247	45,415,985	132,895,211
AT 1st July, 2017					
Additions	3,464,828	6,485,000	4,378,182		14,328,009
Disposal					
AT 30th June, 2018	25,715,591	41,138,216	34,953,429	45,415,985	147,223,220
Depreciation					
At 30th June, 2015	20,540,564	27,983,835	24,311,696	23,346,998	10,668,020
Depreciation	1,056,989	3,727,192	1,079,987	4,172,244	10,036,413
Impairment					
Disposal	-	-	-	-	
At 30th June, 2016	21,597,553	31,711,027	25,391,683	27,519,242	106,219,506
Depreciation	489,747	2,869,627	1,217,198	5,505,156	10,081,728
Impairment	-	-	-	-	0
Disposal	-	-	-	-	0
AT 30th June, 2017	22,087,301	34,580,654	26,608,881	33,024,398	116,301,233
Depreciation	299,717	72,055	1,287,601	4,297,031	5,956,404
Disposal					
AT 30th June, 2018	22,387,018	34,652,709	27,896,482	37,321,428	122,257,638
Net book Values					
AT 30 June, 2018	3,328,573	6,485,507	7,056,947	8,094,557	24,965,583
At 30 June 2017	163,462	72,562	3,966,366	12,391,587	16,593,978
At 30 June 2016	653,210	2,942,189	5,183,564	17,896,743	26,675,705
<i>NB: The cost of Council's Motor Vehicles excludes undetermined values of two vehicles donated by Japanese International Co-operation Agency (JICA) for Trade Development project between the Council and JICA for the period 2006 – 2013.</i>					

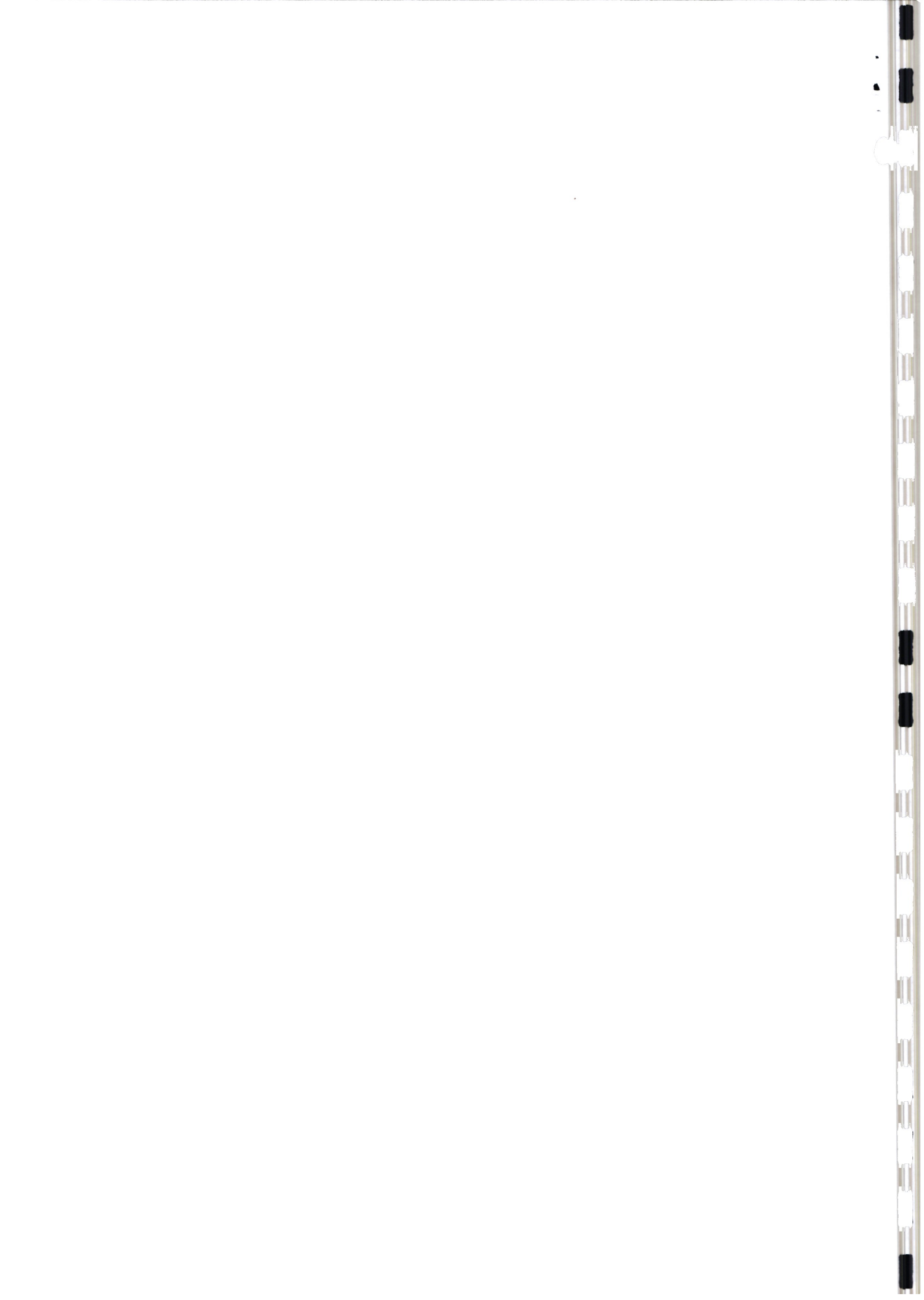


**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2018**



13.	INTANGIBLE ASSETS	2018	2017
		KShs	KShs
	COST		
	Balance B/F	9,081,357	9,081,357
	Additions	0	0
	At 30th June	<u>9,081,357</u>	<u>9,081,357</u>
	AMORTISATION		
	Balance B/F	9,048,037	9,035,542
	Charge for the year	12,495	12,495
	At 30th June	<u>9,060,531</u>	<u>9,048,037</u>
	NET BOOK VALUE	<u>20,825</u>	<u>33,320</u>
14.	ACCOUNTS RECEIVABLES		
	Staff Receivables	20,161,135	25,144,644
	Travel Advances	4,632,863	
	Prepayments	<u>11,406,317</u>	<u>9,833,733</u>
		<u>36,200,315</u>	<u>34,978,378</u>
15.	CASH AND CASH EQUIVALENTS		
	Investment in Call Deposit -	566,292	533,519
	Bank and Cash Balances	<u>259,525,990</u>	<u>276,329,755</u>
		<u>260,092,281</u>	<u>276,863,273</u>
	NB: Cash & Cash Equivalents are held at Kenya Commercial Bank Ltd, University Way Branch and Housing Finance, Kenyatta Avenue Branch.		

16.	RESERVES	2018	2017
		KShs	KShs
	General Fund (Unrestricted)		
	Balance B/F	68,090,983	65,244,487
	Capitalization of Investment Interest	104,328	0
	Exchange Loss from operations	(6,500)	0
	Surplus/Deficit for the Year	<u>13,331,305</u>	<u>2,846,496</u>
	At 30th June	<u>81,520,117</u>	<u>68,090,983</u>



17. STAFF WELFARE SCHEME

a) The Council has set up a Staff Housing and Car Loan Scheme for staff which will act as a revolving fund where staff can access low interest loans as per the SRC circular. This is aimed at motivating, attracting and retaining high caliber staff.

b) The Council Staff Welfare Scheme for the year ended 30 June 2018 was Kshs. **99,628,462** (2017 KShs **86,334,734**)

Details	Amounts	
	KShs	
Opening Balance as at 01.07.17		86,334,734
Welfare Changes in the year		13,293,729
Staff Welfare Scheme balance as at 30.06.18		99,628,462

18.	ACCOUNTS PAYABLE		
		KShs	KShs
	Deferred Income	92,000,000	160,700,000
	Payables	43,720,690	10,051,615
	Due to Staff Gratuity Scheme	566,292	533,518
	Staff Leave Pay Provision	3,843,443	2,758,097
		<u>140,130,425</u>	<u>174,043,231</u>



19. OPERATING LEASE COMMITMENTS

Operating lease payments represent rentals payable by the Council for its office space. Property rental expenses on leased office accommodation during the year amounted to **Kshs. 27,871,251** (compared to **KShs. 27,364,295** for 2017). At the statement of Financial Position date, the Council had outstanding commitments under the operating lease on office accommodations which fall due as follows:

		KShs	KShs
Operating Lease			
Within One Year		30,045,229	27,313,844
Between 2 - 5 Years		<u>121,846,902</u>	<u>116,044,668</u>
At 30th June		<u>151,892,131</u>	<u>143,358,513</u>

20. DEFERRED INCOME / ROLL OVER FUNDS

ACTIVITY	2018	2017
	KShs	KShs
EXPO 2017, Astana		146,200,000
Website Redesign & Branding		4,500,000
Market Research in Ghana & Strategic Plan		10,000,000
Kenya Trade Week and KEYA Awards	17,000,000	
Dar es-salaam International Trade Fair 2018 and Business Forum	6,400,000	
Uganda International Trade Fair 2018 and Business Forum	8,082,000	
Trade Mission to DR Congo	10,000,000	
Export Survey and Product Research – Tanzania, Mozambique, Sudan and Egypt	22,318,000	
Export policy facilitation and Partnership	3,000,000	
Enterprise Resource Planning Information System and Servers	18,000,000	
Staff Van	5,000,000	
Staff change management	2,200,000	
TOTAL	92,000,000	160,700,000

20. RETIREMENT BENEFIT OBLIGATIONS

The Council operates a defined contribution scheme for all permanent employees. The Council contributes 20% of employees' basic pay into this fund per month, while the employee contributes 10%. This scheme is administered by



the Insurance Company of East Africa Limited. The Council's contribution to the scheme for the year ended 30 June 2018 was **KShs. 6,868,658** (2017 – **KShs 8,020,736**).

The Council also contributes to the statutory defined contribution pension scheme, the National Social Security Fund. This is a defined contribution scheme under the National Social Security Act. The Council's obligation under the scheme are limited to specific contributions set from time to time and are currently limited to KShs 200 per month per employee. Contributions to the scheme during the year amounted to **KShs. 126,400** (2017 **KShs. 119,400**).

21. CAPITAL MANAGEMENT

The primary objective of the Council's capital management is to ensure that the Council complies with capital requirements and maintains healthy capital ratios in order to support its business and to maximize shareholders' value.

The Council maintains an actively managed capital base to cover risks inherent in the business. The impact of the level of capital on Council's return is also recognized and the Council recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

22. COUNTRY OF INCORPORATION

The Council is incorporated in Kenya under the Companies Act as a Council limited by guarantee and not having a share capital.

23. SINKING FUNDS

The Council will have a separate investment account for the sinking fund (capital replacement reserves) and item disclosed as a separate line item in the statement of changes in net assets in the subsequent year (2017/2018) which will be approved by the Board of Directors. The Council has however been retaining its earnings through the general fund over the years



24. Related Party Disclosures as Per IPSAS 20

The Council regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the senior managers. There were no related party transactions in the year under review.

The Council relies 100% of its funding from the Government of Kenya and this gives rise to significant influence and therefore a related party relationship. Parties are considered to be related if one party has the ability to control the other or exercise significant influence over the other party in making financial or operational decisions. The Council's main related parties are the Government of Kenya and the Ministry of Industry, Trade and Cooperatives.

Director and key management compensation

	2018	2017
	<u>Kshs</u>	<u>Kshs</u>
Fees for services as a Director		
Non-Executive Directors	19,824,728	20,157,908
<hr/>		
Other emoluments:		
Salaries and other short-term employment benefits:		
Key management	25,783,653	31,888,781
<hr/>		
Total fees and other emoluments	45,608,381	52,046,689

=====



25. FINANCIAL RISK MANAGEMENT

The Council's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree or a combination of risks. The business of the Council requires taking risk and the operational risks are an inevitable consequence of being in business.

The Council thus strives to achieve an appropriate balance between risk and return and minimise potential adverse effects on its performance. The key types of risks includes credit risk and liquidity risk.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Council's risk management framework.

Top management identifies and evaluates the risks in close cooperation with the operating units and this is submitted to the board for review.

The Council does not enter into or trade in financial instruments for speculative purposes.

i Foreign currency risk

The Council has transactional currency exposures. Such exposure arises through the purchase of services that are done in currencies other than the local currency. Invoices denominated in foreign currency are paid 30 days from the invoice date and conversion at the time of payment is done using the prevailing exchange rate.

	Kshs
<hr/>	
At 30 June 2018	
Financial assets;	
Bank Balance	3,975,161
	<hr/>
	3,975,161
<hr/>	
Liabilities;	
Trade and other payables	0
	<hr/>
Net currency liability	3,975,161
<hr/>	
At 30 June 2017	
Financial assets	
Bank Balance	4,312,184
	<hr/>
	4,312,184
<hr/>	
Liabilities	
Trade and other payables	797,207
	<hr/>
Net currency liability	3,514,977
<hr/>	



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2018**



ii) Credit risk

The Council has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risks arise from cash and cash equivalents, and deposits with banks, as well as other receivables. The carrying amount of financial assets recorded in the financial statements representing the Council's maximum exposure to credit risk without taking into account of the value of any collateral obtained is made up as follows:

	Neither Past Nor impaired	Due Over 60 days	Past due not impaired over 365 days	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
Bank Balance	259,470,702			259,470,702
Investment in Call Deposit	533,519			533,519
Other Receivables (excluding Prepayments)	23,954,710			25,437,842
	283,958,931			283,958,931
At 30 June 2017				
Bank Balance	276,329,755			276,329,755
Investment in Call Deposit	533,519			533,519
Other Receivables (excluding Prepayments)	25,437,842			25,437,842
	302,301,116			302,301,116

Receivable balances from Council's staff are recovered on payment of salaries.



iii) Liquidity risk

Liquidity risk is the risk that the Council will not be able to meet its financial obligations as they fall due. The Council's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damaging the Council's reputation. Ordinarily the Council ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted such as natural disasters. The Council monitors its risk to shortage of funds using a liquidity planning tool. The table below analyses maturity profiles of the financial liabilities of the Council based on the remaining period using 30th June 2018 as a base period to the maturity date.

	Less than 3 Months KShs	3 to 12 months Kshs	1 to 5 years Kshs	Total Kshs
At 30 June 2018				
Trade and other payables	46,210,530			
At 30 June 2017				
Trade and other payables	10,051,615			

26. BUDGET VARIANCE

The Annual Budgets are prepared on Accrual Basis accounting, GOK grants received in the year was **Kshs. 360M** Other donors **Kshs. 16M** (COMESA RIIP and KCB) and Cost Recoveries of **Kshs. 2.29M**. The variance of **Kshs. (0.7M)** under cost recoveries was due to under collection of cost recoveries and Sponsorship for Kenya Trade Week and KEYA awards.

The board costs were exceeded by **Kshs. 1.8M** due to recruitment exercise for new staff meetings which was under taken by the Council Board.

The Council deferred **Kshs. 92M** in the year for programmes / planned activities which were straddling to financial year 2018/19. These programmes / planned activities were The Kenya Trade Week held 1 July 2018, Dar es Salaam International

Trade Fair 2018 and Business Forum, The acquisition of working tools and Enterprise Resource Planning Information System.



27. CONTINGENT LIABILITIES

The Council has a court case where a former employee has sued the Council for failing to absorb him after completing his studies. Leave of absence had not been granted hence the Council could not reabsorb. The Council has not provided for any contingent liability on the matter.

