

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



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OF

GENERAL  
TABLE:

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
KENYATTA INTERNATIONAL CONVENTION  
CENTRE**

**FOR THE YEAR ENDED  
30 JUNE 2018**





**The Kenyatta International  
Convention Centre**  
*Africa's Premier Meeting Venue*  
[www.kicc.co.ke](http://www.kicc.co.ke)

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
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# **ANNUAL REPORTS AND FINANCIAL STATEMENTS**

## **FOR THE FINANCIAL YEAR ENDING JUNE 30, 2018**

**Prepared in accordance with the Accrual Basis of Accounting Method under the  
International Financial Reporting Standards (IFRS)**



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## **KEY ENTITY INFORMATION**

### **Background information**

The Corporation was established under the Tourism Act of 2011 that came into operation on 1st September 2012.

### **Principal Activities**

The principal activities of the Corporation are to:

- a) Organize and host meetings and provide incentives for conferences and exhibitions at the Convention Centre;
- b) Develop and implement the national meetings, incentives for conferences and exhibitions strategy, in collaboration with the Tourism Board upon consultation with the relevant stakeholders;
- c) Market the Convention Centre, in collaboration with the Tourism Board; and
- d) Perform any other functions that are ancillary to the object and purpose for which the Convention Centre is established.

### **Board of Directors**

The Board of Directors who served within the Financial Year are shown on page iii & iv.

### **Appointment of Chairman of the Board**

Hon. Immanuel Ichor Imana was appointed the chairman of the Board of Directors on 12th July 2018

### **Corporate Headquarters**

Kenyatta International Convention Centre,  
P.O. Box 30746 - 00100  
KICC Building  
Harambee Avenue  
Nairobi, KENYA

### **Corporate Contacts**

Telephone: (254)-20-2247277, 3620000

Fax: (254)-20-310223

E-mail: [info@kicc.co.ke](mailto:info@kicc.co.ke).

Website: [www.kicc.co.ke](http://www.kicc.co.ke)

**Corporate Bankers**

Kenya Commercial Bank  
KICC Branch, Harambee Avenue  
P.O. Box 46950-00100  
City Square 00200  
Nairobi, Kenya

Co-Operative Bank of Kenya  
City Hall Branch  
P.O. Box 44805-00100  
Nairobi  
Kenya







**Independent Auditors**

Auditor General  
Office of the Auditor General (OAG)  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya

**Principal legal advisor**

Ms. JaneFrances Mutio Mutisya  
Corporation Secretary  
KICC Building  
Harambee Avenue  
Nairobi, Kenya






**THE BOARD OF DIRECTORS**

<p>Mrs. Fatuma Hirsi Mohamed, CBS</p>	<p>Principal Secretary – Ministry of Tourism.</p>		<ul style="list-style-type: none"> <li>• MBA in strategy and Marketing</li> <li>• BA (Hons) in Language and Post Graduate Diploma in Public Relations</li> <li>• Pursuing PhD in Communication Studies</li> <li>• Over 30 years integrated strategic management working experience in various sectors including Telecom, media, banking and international civil service working for the United Nations.</li> <li>• Y.O.B: 1963</li> </ul>
<p>Ms. Nana Gecaga</p>	<p>Chief Executive Officer and Secretary to the Board</p>		<ul style="list-style-type: none"> <li>• MBA Roehampton University(Online)</li> <li>• BA(AIU) UK</li> <li>• Over 17 years experience in Public Relations and Marketing</li> <li>• Y.O.B: 1978</li> </ul>
<p>Mr. Jackson Kinyanjui</p>	<p>Alternate to Principal Secretary – The National Treasury</p>		<ul style="list-style-type: none"> <li>• Masters Degree in Development Economics</li> <li>• B(ED) Economics &amp; Business Education</li> <li>• 36 years experience in the public service and currently Director of External Resources, National Treasury.</li> <li>• Y.O.B 1955</li> </ul>
<p>Ms. Kavi Mwendwa</p>	<p>Director Left on 17th April 2018</p>		<ul style="list-style-type: none"> <li>• Certificate in Food and Beverage</li> <li>• Over 24 years experience in Hospitality Industry</li> <li>• Y.O.B: 1965</li> </ul>
<p>Ms. Lucy Macridis</p>	<p>Director</p>		<ul style="list-style-type: none"> <li>• Certificate from CIM.</li> <li>• Wide experience in Tourism Industry</li> <li>• Y.O.B: 1967</li> </ul>
<p>Mrs. Jane Adam</p>	<p>Director</p>		<ul style="list-style-type: none"> <li>• Bsc in Tourism and Hospitality Management.</li> <li>• Over 30 years experience in Tourism Industry</li> <li>• Y.O.B: 1961</li> </ul>

**The Kenyatta International Convention Centre – Financial Statements Year Ended June 30, 2018**

<p>Capt. (Rtd) Kenneth Boit</p>	<p>Director</p>		<ul style="list-style-type: none"> <li>• BA, International Relations &amp; Strategic Studies</li> <li>• 14 years experience in military and over 20 Years experience in consultancy on security matters.</li> <li>• Y.O.B: 1964</li> </ul>
<p>Dr. Lillian Apadet</p>	<p>Director</p>		<ul style="list-style-type: none"> <li>• Msc Public health</li> <li>• Bachelor of Dental Surgery</li> <li>• 12 Years of experience as a Dental Surgeon</li> <li>• Y.O.B: 1980</li> </ul>
<p>Dr. Betty Radier</p>	<p>Chief Executive Officer KTB</p>		<ul style="list-style-type: none"> <li>• PhD Entrepreneurship and Small Business Development, University of Cape Town</li> <li>• MBA, Strategy and Finance</li> <li>• Bachelors Degree in Design</li> <li>• 20 years experience in Management and currently Chief Executive Officer, KTB</li> <li>• Y.O.B 1968</li> </ul>

**SENIOR MANAGEMENT TEAM**

<p>Ms. Nana Gecaga</p>	<p>Chief Executive Officer</p>		<ul style="list-style-type: none"> <li>• MBA Roehampton University(Online)</li> <li>• BA(AIU) UK</li> <li>• Over 17 years experience in Public Relations and Marketing</li> <li>• Y.O.B: 1978</li> </ul>
<p>Ms. JaneFrances Mutio Mutisya</p>	<p>Corporation Secretary-Director Legal Services</p>		<ul style="list-style-type: none"> <li>• LLM (Corporate Governance),</li> <li>• LLB, PGD(KSL),</li> <li>• CPS (K),</li> <li>• Proficiency Cert. German,</li> <li>• Accredited. Governance Auditor</li> <li>• Over 18 years experience in legal practice and corporate Law</li> <li>• YO B 1974</li> </ul>
<p>Mr. Gerald Kirimi</p>	<p>General Manager, Finance &amp; Administration</p>		<ul style="list-style-type: none"> <li>• B Com (Finance), CPA (K) and a member of ICPAK with more than 12 years experience.</li> <li>• Y.O.B: 1978</li> </ul>
<p>Ms. Janet Mueni</p>	<p>Ag. General Manager, Sales &amp; Marketing</p>		<ul style="list-style-type: none"> <li>• BA Business Administration</li> <li>• Over 17 Years experience in administration and marketing</li> <li>• Y.O.B 1973</li> </ul>
<p>Mr. Gomeri Kombo</p>	<p>Ag. General Manager, Operations</p>		<ul style="list-style-type: none"> <li>• BA Hospitality Management</li> <li>• Certificate in hotel management (Switzerland)</li> <li>• Over 20 years experience in hospitality industry</li> <li>• Y.O.B 1970</li> </ul>

## **CHAIRMAN’S STATEMENT**

On behalf of the Board of Directors of the Kenyatta International Convention Centre (KICC), I am pleased to present to you the Annual Report and Financial Statements of the Corporation for the year ended 30<sup>th</sup>, June 2018.

During the year 2017/2018, the Kenyan destination faced challenging business environment, which affected the operations of the venue-KICC. Factors such as the prolonged electioneering period, increase in maintenance and operating costs, did affect our operations.

Despite the above challenges, the Corporation took necessary measures to safeguard Governments’ shareholding value, meet its financial commitments-short and long term, renovate/maintain the facility in good condition to international standards/service and also took deliberate efforts in implementing efficiency measures to reduce procurement and general operating costs without compromising our operating standards.

The Corporation continues to be a significant contributor to the Meetings, Incentives, Conferences and Exhibitions (MICE) Tourism growth in Kenya.

The Conference business outlook for the year 2017/2018 was not positive with prolonged electioneering period while Management is hopeful for a recovery during the year, increased efforts to ensure that all operational and tactical strategies geared towards securing higher business levels and protecting top and bottom lines have been put in place.

The Corporation continues to implement appropriate Human Resources Management (HRM) practices and sound Corporate Social Investments (CSI) programs that complement its long-term business strategy, just as it continues to pursue new MICE business opportunities in the Counties in line with its diversification policy and strategy.

As has been the case, the Board and Management remain confident that, notwithstanding the challenging business environment, the Corporation has the inherent strength and business resilience to continue to focus on its long-term growth prospects, thus maintaining its market share and its leading position in the MICE industry.

I would like to express my sincere appreciation to my fellow Board members, the Management team and the KICC staff and all our stakeholders for their support and request for the same into the future.

Thank you.



.....  
**Hon. Immanuel Ichor Imana**  
**Board Chairman**

## **REPORT OF THE CHIEF EXECUTIVE OFFICER**

Whereas the Kenyatta International Convention Centre is known as a meeting venue in Nairobi, its core mandate is precise and distinct and that is to promote Kenya as a destination for Business Events also known as *business and conference tourism*.

The key functions that the Corporation embarks on to articulate its mandate is to organise and host meeting whilst providing incentives for Conferences and Exhibition at the Centre. Additionally, it is also tasked with a leading role of marketing the Convention Centre and the destination at large as preferred venue for Meeting, Incentives Conferences and Exhibitions

Realisation of this core mandate is highly dependent on the destination's social, economic and political environment. It is worth noting that the period under review; the destination was conducting its general election; which was disputed leading to a repeat election thus a prolonged electioneering period. Just like previous electioneering periods, the country's political climate impacts negatively on the MICE industry.

This is evidenced by the cancellation and postponement of key events that were scheduled to take place at the Centre during Quarter 1 and Quarter 2 i.e. July – December, 2018.

## **BUSINESS PERFORMANCE**

During the year under review, Conference revenue decreased by 62% while revenue from hire of equipment, catering e.t.c recorded 84% decrease from the previous period occasioned by reduced business due to prolonged electioneering period.

The Corporation achieved a turnover of Ksh.0.621 billion compared to Ksh.1.308 billion from the previous financial year posting a loss of Ksh.8.381 Million after tax.

However, significant milestones were met when the Management responded swiftly and decisively with strategies to recover for the conference revenue lost during the first two quarters on the year under review. As a result, revenue from Leased parking increased by 5%, Tower Viewing revenue increased by 50%, and Rent revenue increased by 15%.

The Administrative costs decreased by 20%, while the selling and distribution costs decreased by 76%. There was improvement in staff motivation due to culture change programmes and incentives that resulted to increase in productivity and efficiency.

## **EMPLOYEE PRODUCTIVITY**

The Corporation recognizes the need for Training and development. This is to ensure enhance both staff and organizational performance, assist employee gain competences and skills for current and future responsibilities. The corporation also ensures there is availability of sufficient trained human resource base to meet the current and future requirements. Exposing staff to the best international standards continue to remain at the core of our Human Resource Management strategy. In this financial year, training and exposures both local and international have been carried out across all cadres of staffs to develop the relevant skill gaps. Budgetary allocations are prioritised in Human capital development initiatives.

In the coming Financial year we undertake to continue offering the following trainings; Mentoring and Talent Management trainings, Management level development trainings, Corporate culture change training, Integrity awareness training, Corporate Governance training to mention but a few.

We continue to invest in recruitment and development of human capital. As we diversify our business, we strive to attract and retain the best talent that will enhance the Corporation's performance.

## **INTERNATIONAL STANDARDS**

Our commitment to quality in our services and processes remain steadfast. Complying to the requirements of ISO 9001: 2015 ensures that the Corporation not only retains its status as ISO 9001: 2015 certified institution but that continuous improvement, research and development and ongoing review of processes is systematically done to ensure that our processes and strategies remain current and relevant in the ever dynamic business environment. In the long run there is positive impact on revenue, quality, costs, and customer satisfaction.

## **INFORMATION AND COMMUNICATIONS TECHNOLOGY**

The ICT department in the financial year under review undertook to play its supportive role to the Corporation's core mandate by providing support to the marketing of the Centre as a MICE destination. Key among them include; the termination of a new Internet Service Provider (ISP) and reconfiguration of the Corporation's Local Area Network (LAN) to stabilize the provision of network services including Internet to both the internal and external clients; the quarterly maintenance of ICT related equipment; the securing of ICT services, equipment and facilities including the data centre; the recovery of the Corporation's Email services; the initiation and facilitation of the ERP upgrade project; the provision of Audio Visual support as and when needed in support of business events at the Centre; and the provision of Telecommunications and IT related support as and when needed. Further, the Corporation made strides towards the fulfilment of the demands related to the safety of the Corporation's information as the department led the initiative of rolling out the Information Security Management System

framework (ISO 27001). Subsequently, the appointed project champions were successfully trained examined and met the examining board's requirements for Lead Implementers critical for the subsequent stages of the process.

### **FUTURE OUTLOOK**

In the Financial Year 2018/2019, the Corporation endeavours to generate to surpass the target revenue. Having development of a new five-year Strategic Plan which was carefully aligned with the changing needs in the environment, the Corporation has earmarked key strategies to promote the Centre as a venue for MICE.

Our priority in 2018/19

- To Increase KICC Business Events and Market Share for Improved Performance.
- To Enhance Brand Visibility for Increased Awareness
- To undertake Refurbishment and modernization the of the indoor and outdoor facilities
- To Facilitate Upgrade and Expansion of KICC for Leading Edge Service Delivery
- To Enhance Governance Systems and Structures for Effective and Efficient Governance
- Undertake Research and Development on Products and Services for Continuous Improvement.
- Enhance Capacity Development for Effective Service Delivery.
- Ensure Continuous Performance Management for Improved Productivity

Whilst we have fallen short of our revenue target, we have promising projections and confirmation businesses thus are optimistic that we shall return to target levels in the Financial Year 2018/2019.

Finally, I would like to thank all the KICC staff for their immersed contribution, handwork, dedication and focus on driving the Corporation's core mandate.



**Nana W. Gecaga**  
**Chief Executive Officer**

## **CORPORATE GOVERNANCE STATEMENT**

Corporate Governance relates to internal means by which Corporations are directed, controlled and held to account. This is done with a view to ensuring that Corporation attain the long term value of shareholders while taking into consideration the interests of other stakeholders. The Governance structures of Corporations stipulates rules and procedures of a certain organization and at the same time identifies the manner of distribution of rights amongst different stakeholders such as Board of Directors, Managers, Shareholders, Creditors and Auditors. The Board of Directors of Kenyatta International Convention Centre is responsible for Governance of the Corporation. While discharging its functions, it is accountable to shareholders and stakeholders in ensuring that it complies with all set regulations and business ethics. Similarly, the Board adheres to the generally accepted Corporate Governance procedures as stipulated in the existing Governances’ Codes ad also embraces the internationally accepted principles and best practices of Corporate Governance.

### **Board of Directors**

The Board comprises nine (9) Directors, six of which are independent non-executive Directors including the Chairman.

The Board of Directors directs the Corporation generally. Its basic role in directing the Corporation entails the formulation of the Corporation’s Strategic Objectives, Policy Making, Supervision of Executive Management and Accountability to Stakeholders. The Directors entrench a wealth of experience and relevant expertise, knowledge, while deliberating on major issues pertaining to the organization. Except for direction and guidance in general Policy, the Board of Directors delegates authority of day to day business operations of the organization to the Management through the Chief Executive Officer.

In discharging its onerous functions the Board of Directors is assisted by a Corporation Secretary who attends all Board meetings except the Audit Committee Meetings. The Corporation Secretary advises the Board in respect of Corporate Governance issues as well as legal and regulatory requirements pertaining to the Corporation.

### **Board Meetings**

The Board holds regular meetings at provided n he Corporations Board Calendar and as stipulated under the relevant statutes. Special meetings may however be convened when the Corporation deems it necessary to do so.

During the year under review, the Board held seven (7) regular meetings and five (5) special meetings. In light of the fact that the Corporation is a State Corporation, the Inspector General, State Corporations is invited to attend the Corporation’s Board meetings both Committees and Full Board Meetings from time to time. The Inspector General exercises an oversight and advisory role in such meetings in accordance with the State Corporations Act.

The Members, attendance per Board member for the Board meetings for the year was as follows:-

<b>No.</b>	<b>Board Member</b>	<b>Scheduled Meetings</b>	<b>Special Meetings</b>	<b>Total</b>
1.	Mrs. Jane W. Adam	5	5	10
2.	Capt. (Rtd) Kenneth Boit	7	5	12
3.	Mrs. KaviMwendwa	5	3	8
4.	Dr. Lillian A. Osamong	4	5	9
5.	Dr. BettyRadier	4	4	8
6.	Ms. Lucy Macridis	5	4	9
7.	Mr. Jackson Kinyanjui ( <i>Alternate to Principal Secretary, National Treasury</i> )	2	5	7
8.	Mrs. Fatuma H. Mohamed, CBS ( <i>Principal Secretary, Ministry of Tourism</i> )	4	5	9
9.	Ms. Nana W. Gecaga	2	3	5
10.	Inspector General – State Corporations	1	4	5

**Committees of the Board**

The Board discharges its functions through Committees which, have well defined terms of reference set by the Board. The operations of the Board, through various Committees, purposes to facilitate efficient and effective decision making process in discharge its duties and responsibilities.

**The Board Committees and membership comprises of the following-**

**I) Finance, Human Resources and Administration**

- i) Mrs. Jane W. Adam
- ii) Dr. Betty Radier
- iii) Dr. Lillian A. Osamong
- iv) Fatma Muses (Alternate to P. S. , Min. of Tourism)
- v) Ms. Nana W. Gecaga
- vi) *Inspector General – State Corporations*

The Committee assists the Board in fulfilling its oversight responsibilities n Financial, Staff and general Administrative matters pertaining to the Corporation.

The Committee held seven (7) regular meetings and three (3) special meetings in the year under review. The attendance is as follows:-

No.	Board Member	Scheduled Meetings	Special Meetings	Total
1.	Mrs. Jane W. Adam	7	3	10
2.	Dr. Betty Radier	6	3	9
3.	Dr. Lillian A. Osamong	7	2	9
4.	Mrs. Fatuma Hirsi, <i>CBS (P. S. Min. of Tourism)</i>	7	3	10
5.	Ms. Nana W. Gecaga	1	1	2
6.	Inspector General – State Corporations	2	2	4

**II) Marketing Public Relations and Projects Committee**

- i) Dr. Lillian A. Osamong
- ii) Capt. (Rtd) Kenneth Boit
- iii) Mrs. Jane W. Adam
- iv) Dr. Betty Radier
- v) Ms. Nana W. Gecaga
- vi) *Inspector General – State Corporations*

The Committee is tasked with the responsibility of overseeing the Corporation’s activities relating to Marketing, Business Development and Projects.

The Committee held four (4) regular meetings. There was no special meeting in the year under review. The attendance is as follows:-

No.	Board Member	Scheduled Meetings	Special Meetings	Total
1.	Dr. Lillian A. Osamong	4	-	4
2.	Capt. (Rtd) Kenneth Boit	4	-	4
3.	Mrs. Jane W. Adam	4	-	4
4.	Dr. Betty Radier	2	-	2
5.	Ms. Lucy Macridis	2	-	2
6.	Ms. Nana W. Gecaga	1	-	1
7.	Inspector General – State Corporations	2	-	2

**III) Audit Committee**

- i) Capt. (Rtd) Kenneth Boit
- ii) Ms. Lucy Macridis
- iii) Ms. Kavi Mwendwa
- iv) Mr. Jackson Kinyanjui (*Alternate to P.S. National Treasury*)
- v) Mrs. Fatuma Hirsi, *CBS(P.S. Ministry of Tourism)*
- vi) Inspector General – State Corporations

The Committee assists the Board in fulfilling its Corporate Governance responsibilities and in particular enhancing internal checks and balances while fostering effective internal audit functions.

The Committee held five (5) regular meetings and two (2) special meetings in the year under review. The attendance is as follows:-

No.	Board Member	Scheduled Meetings	Special Meetings	Total
1.	Capt. (Rtd) Kenneth Boit	5	2	7
2.	Ms. Lucy Macridis	5	2	7
3.	Ms. KaviMwendwa	5	2	7
4.	Mr. Jackson Kinyanjui( <i>Alternate to Principal Secretary, National Treasury</i> )	5	2	7
6.	Mrs. Fatuma Hirsi, <i>CBS (P. S. , Min. of Tourism)</i>	2	2	4
7.	Inspector General – <i>State Corporations</i>	1		1

**Succession Plan**

The members of the Board of the Convention Centre are approved at different times so that the respective expiry dates of their terms of office shall fall at different times.

**Board Remuneration**

The aggregate amount paid to directors in terms of sitting allowances for services rendered during the financial year 2017/2018 are disclosed in the Financial Statements under Note 9. Non-Executive Directors are paid sitting allowances for any meeting attended.

**Risk Management and Internal Controls**

The Corporation has defined procedures and financial controls to ensure its accounting information is complete and accurate. These include systems for obtaining approvals for all transactions and strict adherence to laws and regulations that have significant financial implications.

The Board takes into consideration the results of work carried out to Audit and review the activities of the Corporation in reviewing the effectiveness of internal control systems.

Board also considers the Management accounts for each quarter, reports from each Board Committee, annual budgetary proposals, major issues and strategic opportunities for the Corporation.

**Information and Board Developments**

The Board is supplied with detailed Board Papers and Reports on business to be conducted at each meeting in advance.

All Directors have access and advice and services of the Corporation where necessary the Directors may access external legal advice.

To update their skills and expertise in discharging board functions, directors are required to receive induction training on appointment. In addition, they are also required to attend trainings suited to their needs and expertise required to perform their duties regularly.

## **CORPORATE SOCIAL INVESTMENT STATEMENT**

The Corporation uphold the Corporate Social Investment activities as fundamental part of the way it does business. It aims to making a positive contribution to the environment, financial and social well-being of its customers, employees and the community in which it operates. To guide the way the Corporation undertakes its social investment initiatives, a Corporate Social Investment Policy was developed.

During the financial year under review, the Corporation partnered with Homes Kenya Limited in an initiative to develop, renovate and build classrooms, ICT Centre and a library at the Gatina Primary School-a public primary school in Nairobi County. The school is situated in the settlements of Kawangware slum and serves the less fortunate. The initiative is scheduled to run through the FY 2018/19.

Other partnerships were with organizers of Roya Wanyama under 18 Tournament that aims at as nurturing young talent through sports where KICC received commendable publicity during this CSI event. It also partnered with various stakeholders to set up a World Cup viewing village at the KICC grounds. The event gave the people of Nairobi city a platform to watch the entire World cup matches free-of-charge.

Over the coming years we intend to commit even more time and resources to support social initiatives based on our business performance as we seek to build good corporate citizenship.

## **REPORT OF THE 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 Corporation's affairs.

### **Principal activities**

The principal activities of the Corporation are to:

- a) Organize and host meetings and provide incentives for conferences and exhibitions at the Convention Centre;
- b) Develop and implement the national meetings, incentives for conferences and exhibitions strategy, in collaboration with the Tourism Board upon consultation with the relevant stakeholders;
- c) Market the Convention Centre, in collaboration with the Tourism Board; and
- d) Perform any other functions that are ancillary to the object and purpose for which the Convention Centre is established.

### **Results**

The results of the entity for the year ended June 30, 2018 are set out on page 1 to 22.

### **Dividends**

The corporation does not pay dividend, all the surpluses are reinvested back into refurbishment and modernization of the facility.

### **Board of Directors**

The Board of Directors who served within the Financial Year are shown on page iii & iv.

### **Appointment of Chairman of the Board**

Hon. Immanuel Ichor Imana was appointed the chairman of the Board of Directors on 12th July 2018.

### **Auditors**

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

  
By Order of the Board

**STATEMENT OF DIRECTORS’ RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012, Section 14 of the State Corporation’s Act requires the Directors to prepare financial statements which give a true and fair view of the state of affairs of the Corporation at the end of the financial year and the operating results of the corporation for the year. The Directors are also required to ensure that the corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the corporation. The Directors are also responsible for safeguarding the assets of the Corporation. The Directors are responsible for the preparation of the corporation’s financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year ended on June 30, 2018.

This responsibility includes:

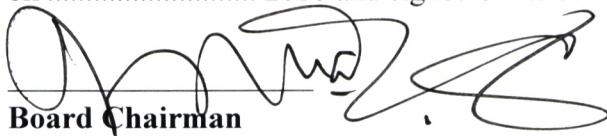
- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) Designing, implementing 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 Corporation;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Corporation’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that KICC’s financial statements give a true and fair view of the state of transactions during the financial year ended June 30, 2018, and of the Corporation’s financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the 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 Corporation 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 Kenyatta International Convention Centre’s financial statements were approved by the Board on ..... 2018 and signed on its behalf by:

  
**Board Chairman**

  
**Chief Executive Officer**

# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kenyatta International Convention Centre set out on pages 1 to 22 which comprise the statement of financial position as at 30 June 2018, and the statement of 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenyatta International Convention Centre as at June 30 2018, and (of) its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (Accrual Basis) and do comply with the Tourism Act, No.28 of 2011.

#### Basis for Qualified Opinion

#### Property, Plant and Equipment

##### 1.1 Land

As previously reported, the property, plant and equipment balance of Kshs.4,031,930,000 as at 30 June 2018 includes the value of land estimated at Kshs.1billion disclosed under Note 13 but excludes land commonly referred to as COMESA parking area and Court yard on which the first Kenya President's monument stands. Further, the land on which Garden Square Restaurant stands is under dispute between the Corporation and the Nairobi City County. However, a letter from the Chief-of-Staff and Head of Public Service to the Cabinet Secretary, Ministry of Lands, Housing and Urban Development clarified that the land in dispute has since been gazetted as a national monument and a part of the Corporation. In addition, the Cabinet Secretary was directed to urgently issue ownership documents to the Corporation. The above notwithstanding, the management has not availed any proof that such title documents have been acquired. It has also been noted that the land on which the Kenyatta International Convention Centre building stands is not registered in the name of the Corporation although its value is included in the financial statements.

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*Report of the Auditor-General on the Financial Statements of Kenyatta International Convention Centre for the year ended 30 June 2018*

## **1.2 Valuation of Assets**

The statement of financial position reflects a figure of Kshs.4,031,930,000 under property, plant and equipment as at 30 June 2018. However, it is noted that the last valuation for assets was conducted in 2006, over eleven (12) years ago. Consequently, the Centre has not valued its assets for the last 12 years to take cognizance of the drastic change in value of its assets contrary to the International Public Sector Accounting Standard No.17 which stipulates that property, plant and equipment should be revalued after every five years.

## **1.3 Motor Vehicles not Registered in the Name of the Corporation**

As previously reported, the Corporation bought three motor vehicles in the year 2016/2017 for Kshs.20,875,000. However, a scrutiny of the log books showed that the three vehicles were registered in the name of Kenyatta International Conference Centre Management Limited and not in the name of the Corporation. Although it was explained that the problem arose as a result of Personal Identification Number (PIN) mix up at the Kenya Revenue Authority, the issue has not been resolved with a view of having the log books issued in the name of Kenyatta International Convention Centre.

## **1.3 Lack of Assets Register**

As previously reported, the corporation did not maintain assets register hence control over the assets could not be adequately achieved.

In view of the foregoing, it has not been possible to confirm the accuracy and completeness of property, plant and equipment balance of Kshs.4,031,930,000 as at 30 June 2018.

## **2. Trade and Other Receivables**

### **2.1 Long Outstanding Debts**

As similarly reported in the previous years, trade and other receivables balance of Kshs.908,062,000 as at 30 June 2018 includes an amount of Kshs.696,789,911 which has been outstanding for over two years, the bulk of which is owed by various Government Ministries and Departments. In particular, the National Assembly owes Kshs.47,311,344 and which has been outstanding for considerably long period of time. In addition, Kshs.60,6464,813 of the debtors were for defunct Government Ministries/Departments and an inquiry and comparison with financial statements of reported debtors showed that the said debts were not recognized as payables or pending bills in those institutions. Apparently, the management efforts to recover these debts have not been fruitful.

### **2.2. Failure to Honour Tenancy Agreement**

Available information indicates that the Corporation's 18th floor was occupied by the Private Secretary to the third President for the period 1 July 2013 to 1 July 2016 accruing a total debt of Kshs.36,096,972 though no lease agreement was availed for audit review. The likelihood that the debts will be recovered remain doubtful.

In view of the foregoing, it has not been possible to confirm the accuracy and recoverability of trade and other receivables balance of Kshs.908,062,000 as at 30 June 2018.

### 3. Outstanding Debts for Staff Who Left the Organization

During the year under review, staff receivables after one year balance was Kshs.10,350,000 as at 30 June 2018. However, it was observed that some of the staff that resigned or were terminated left without being cleared by the Corporation. Some have left with debt owed to the Corporation in terms of car loans and advances. The following list shows staff who have exited KICC and still owe the Corporation. It is not clear whether the Corporation will recover the amount from the former staff who have since exited employment.

Name	Outstanding Amount Kshs
Mohamed Loo	1,738,017.00
Bernard Asoro	1,244,448.00
Maurice Anyango	569,833.00
Florence Saka	515,097.00
Feisal lasker	357,732.00
Fred Akonya	303,345.00
Mwendia Samuel Kinyajui	649,377.00
<b>Total</b>	<b>5,377,849.00</b>

Consequently it has not been possible to confirm the accuracy and recoverability of staff receivables due after one year balance of Kshs.10,350,000 as at 30 June 2018.

### 4. Flawed Procurement Process-World Trade Organization (WTO) Conference

As previously reported, during the 10th WTO Ministerial conference held at the Kenyatta International Convention Centre, the Corporation made tender awards for goods and services and works to various firms. A review of the procurement process however, revealed that the procurement process was executed in total disregard of the Public Procurement and Disposal Act, 2005 and Public Procurement and Disposal regulations, 2006 as enumerated hereunder: -

- i. Key procurement records including minutes of tender committee meetings that deliberated on some of the procurements, contract documents and local purchase orders/local service orders were not provided for audit verification. No supervision reports and completion certificates were provided for the completed works which were carried out to ascertain whether the works were carried out as per the specifications.
- ii. The tender committee was not procedurally constituted in compliance with the second schedule of the Public Procurement and Disposal Regulations, 2006 and in most cases was not involved in the procurement process for projects which were directly

- procured. The Corporation made several procurements for goods and services worth Kshs.70,823,765 without going through competitive bidding as required by the public procurement laws and regulations. Further, there was no evidence of any report submitted to Public Procurement Oversight Authority for direct procurements contrary to section 62(3) of Public Procurement and Disposal Regulations, 2006 which stipulates that any direct procurement of value exceeding Kshs.500,000 has to be reported to the Authority within 14 days after notification of award.
- iii. Of the seventeen (17) projects that were implemented during the period, only five (5) projects had invitation for bids to participate in tenders through restricted tendering method. Of these five, only two were considered by the tender committee. Available information indicated that the awards for fifteen (15) tenders was done singly by the then Chief Executive Officer through single sourcing while making references to non-existent bids for tenders by fictitious companies in total disregard of the tender committee. The awards to the fifteen (15) different companies was done on diverse dates between 13 July 2015 and 30 September 2015 for a total sum of Kshs.1,432,333,345.
  - iv. Available information further revealed that six (6) of the above tenders were cancelled due to delay in release of funds. In some instances, award letters were terminated but the signed contracts were not terminated hence exposing the Corporation to litigations and resultant costs. Only five of the fifteen companies, had signed contracts which amounted to Kshs.894,976,341.
  - v. Further, examination of records revealed that a local company, had signed a contract worth Kshs.64,976,341 even though it had not been issued with an award letter for a tender. Another company undertook some partial works and submitted a claim of Kshs.9,946,420 despite the fact that there was no letter of award of tender, no signed contract and the company was not registered with the Registrar of Companies.
  - vi. The Board of Directors was also directly involved in the flawed procurement process whereby they participated in the revision of cost of the design, supply and installation of computerized conference management system tender. Although, the Board had constituted an ad-hoc committee to oversee the implementation of the WTO projects, no report was prepared for consideration by the full board despite the many meetings held. Thus the committee may not have carried out its oversight role as expected given the haphazard manner in which the projects were initiated, implemented or not implemented at all.
  - vii. The Corporation has so far received claims amounting to Kshs.701,031,000 from various suppliers for the works which have not been paid due to the lack of or inadequate documentation.
  - viii. Further, supporting documents availed for audit during the year under review revealed that vendors amounting to Kshs.55,784,840 relating to WTO projects were not provided for in the financial statements yet the Centre is yet to resolve issues relating to WTO expenditure.

- ix. In addition, supporting documents availed for audit revealed that vendors amounting to Kshs.55,784,840 relating to WTO projects were not provided for in the previous financial statements yet the Centre is yet to resolve issues relating to WTO expenditure.
- x. From the foregoing, the Corporation was clearly in breach of the Public Procurement and Disposal Act 2005 and Regulations, 2006 and may not have received value for money from WTO projects through the flawed procurement process.

## **5. Grant from the Ministry (2015/2016)**

Further, review of the documents and correspondence between the Ministry and the Corporation revealed the following;

- In a letter Ref. MOT/1/97 dated 24 February, 2016 from the Principal Secretary, Ministry of Tourism and addressed to Ag. Managing Director, the Ministry requested transfer of Kshs.480,000,000 meant for the World Trade Organization Conference from KICC to the Ministry. It is not clear why the Ministry had to request the transfer of the same money they had transferred to the Corporation for the furtherance of the conference activities.
- The Corporation's management failed to demonstrate whether the said amount was transferred to the Ministry or not
- They did not provide an account of all the monies received for the conference by providing the budget for the WTO, actual amount received, expenditure to date and bank balance either through deposit account or by any other means appropriate to the Corporation.

In view of the above, it has not been possible to confirm the receipt of Kshs.480,000,000 and expenditure for the same amount for the year 2015/2016.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenyatta International Convention Centre in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAIs 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 qualified 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.

## **Other Matter**

### **1. Under Collection of Revenue**

During the year under review, Kenyatta International Convention Centre (KICC) managed to collect local revenue amounting to only Kshs.620,872,000 compared to the budgeted figure of Kshs.1,334,276,000 resulting to a shortfall of Kshs.713,404,000 (53.46%) of the budgeted amounts. Further, there was also a shortfall of the revenue collected in the year under review (Kshs.620,872,000) in comparison to last year's 2016/17 collection of Kshs.1,307,872,000. The huge shortfall of the revenue was not explained.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the basis for Qualified opinion section of my report, 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.

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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

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.

### **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 Financial Reporting 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 controls, risk management and governance.

In preparing the financial statements, management is responsible for assessing the Centre's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Centre or to 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 resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Centre's 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 of the Financial Statements**

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 audit is planned and performed to express a conclusion about 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 and that public resources are applied in an effective way, 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.

Further, in planning and performing the audit of the financial statements and the audit of compliance, I consider internal control in order to give an assurance on 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 the 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 Ministry's ability to continue 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 Centre 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 Centre 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**

**21 May 2019**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2018

	Note	2018 Kshs'000	2017 Kshs'000
<b>REVENUES</b>			
Sales	5	517,228	659,734
Other Income	6	103,644	648,138
<b>Total Revenues</b>		<b>620,872</b>	<b>1,307,872</b>
<b>OPERATING EXPENSES</b>			
Administration Costs	7	262,002	326,585
Staff Costs	8	153,403	148,825
Board Emoluments	9	15,624	22,195
Selling and Distribution Costs	10	132,837	564,086
Depreciation and amortization	13/14	73,344	90,371
<b>Total Operating Expenses</b>		<b>637,211</b>	<b>1,152,062</b>
<b>Operating profit</b>		<b>(16,339)</b>	<b>155,810</b>
Finance Income	11	5,077	4,396
<b>Profit before Taxation</b>		<b>(11,261)</b>	<b>160,206</b>
Income Tax Credit	12a	(3,378)	48,062
<b>Profit after Taxation</b>		<b>(7,883)</b>	<b>112,144</b>

The notes set out at pages 7 to 22 constitute an integral part of these financial statements

**The Kenyatta International Convention Centre – Financial Statements Year Ended June 30, 2018**

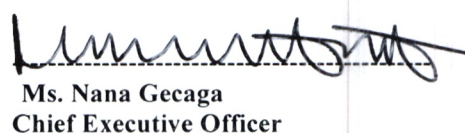
**STATEMENT OF FINANCIAL POSITION  
AS AT 30<sup>TH</sup> JUNE, 2018**

	Note	2018 Kshs'000	2017 Kshs'000
<b>ASSETS</b>			
Non-Current Assets			
Property, plant and equipment	13	4,031,930	3,988,571
Intangible assets	14	6,354	9,531
Staff receivables due after one year	16	10,350	14,352
<b>Total Non-Current Assets</b>		<b>4,048,634</b>	<b>4,012,454</b>
Current Assets			
Trade and other receivables	15	908,062	820,881
Short-term deposits	18 (a)	-	100,000
Cash and bank balances	18(b)	517,624	649,550
Staff Imprests	16	787	846
<b>Total Current Assets</b>		<b>1,426,473</b>	<b>1,571,277</b>
<b>Total Assets</b>		<b><u>5,475,107</u></b>	<b><u>5,583,731</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Capital Fund	21	3,933,446	3,933,446
Retained earnings	23	286,138	294,021
<b>Capital and Reserves</b>		<b><u>4,219,584</u></b>	<b><u>4,227,467</u></b>
<b>Non-Current Liabilities</b>			
Tax Payable	17	22,993	26,371
<b>Total Non-Current Liabilities</b>		<b><u>22,993</u></b>	<b><u>26,371</u></b>
<b>Current Liabilities</b>			
Trade and other payables	20	1,232,530	1,329,893
<b>Total Current Liabilities</b>		<b><u>1,232,530</u></b>	<b><u>1,329,893</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>5,475,107</u></b>	<b><u>5,583,731</u></b>

The notes set out at pages 7 to 22 constitute an integral part of these financial statements

The Corporation financial statements were approved by the Board on \_\_\_\_\_ 2018 and were signed on its behalf by;

  
Hon. Immanuel Imana Ichor  
Chairman, Board of Directors

  
Ms. Nana Gecaga  
Chief Executive Officer

**STATEMENT OF CHANGES IN EQUITY AND RESERVES**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2018.**

	Note	Shareholders Equity Kshs. '000	Revenue Reserves Restated, Kshs. '000	Total Restated, Kshs. '000
At 1 July, 2016	21	3,933,446	181,878	4,115,324
Prior year adjustment				-
Net profit/ Loss for the year			112,143	112,143
<b>At 30 June 2017</b>	21	<b>3,933,446</b>	<b>294,021</b>	<b>4,227,467</b>
At 1 July, 2017		3,933,446	294,021	4,227,467
Prior year adjustment				
Net profit/ Loss for the year			(7,883)	(7,883)
<b>At 30 June 2018</b>		<b>3,933,446</b>	<b>286,138</b>	<b>4,219,584</b>

The notes set out at pages 7 to 22 constitute an integral part of these financial statements

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2018.**

	Note	2018 Kshs. '000	2017 Kshs. '000
<b>OPERATING ACTIVITIES</b>			
Cash generated from/ (used in) operations	19	(123,477)	25,026
<b>Net cash generated from/(used in) operating activities</b>		<u>(123,477)</u>	<u>25,026</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	13/14	(113,528)	(46,076)
<b>Net cash generated from/(used in) investing activities</b>		<u>(113,528)</u>	<u>(46,076)</u>
<b>FINANCING ACTIVITIES</b>			
Interest income	11	5,077	4,396
<b>Net cash generated from/(used in) financing activities</b>		<u>5,077</u>	<u>4,396</u>
<b>INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>(231,928)</u>	<u>(16,654)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		749,550	766,203
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<u><u>517,624</u></u>	<u><u>749,550</u></u>

The notes set out at pages 7 to 22 constitute an integral part of these financial statements

STATEMENT OF COMPARISON OF BUDGET AND ACTUALS

DESCRIPTION	2017/18 Final Approved Budget	Current Year 2017/18 Actuals	Variance Budget to Actual		Remarks F(Favorable) U(Unfavorable)
	“000”	“000”	“000”		
Rent Revenue	347,422	228,946	(118,476)	-34%	U
Leased Parking Revenue	214,090	155,280	(58,810)	-27%	U
Conference Revenue	266,906	112,047	(154,859)	-58%	U
Catering	191,179	55,006	(136,174)	-71%	U
Equipment	300,179	48,639	(251,540)	-84%	U
Casual Parking Revenue	4,000	2,367	(1,633)	-41%	U
Tower Viewing Revenue	10,500	18,588	8,088	77%	F
<b>Total Revenue</b>	<b>1,334,276</b>	<b>620,872</b>	<b>(713,403)</b>	<b>-53%</b>	<b>U</b>
Interest Received	3,500	5,077	1,577	45%	F
<b>ADMINISRTATION COSTS</b>					
Electricity and water	74,400	58,380	16,020	22%	F
Communication Services & supplies	5,219	3,725	1,494	29%	F
Transportation, travelling and subsistence	8,640	6,816	1,824	21%	F
Printing & Stationary -	4,950	3,733	1,217	25%	F
Staff Training and Exposure	23,250	23,300	(50)	0%	U
Hospitality supplies and services	35,916	21,359	14,557	41%	F
Insurance Costs	63,224	52,961	10,263	16%	F
Bank Charges	1,500	1,437	63	4%	F
Legal, Land rates and license fees	31,275	4,766	26,509	85%	F
Consultancy Fees	12,094	7,762	4,332	36%	F
Provision for audit fees	500	500	-	0%	F
Repair maintenance	53,999	23,017	30,983	57%	F

**The Kenyatta International Convention Centre – Financial Statements Year Ended June 30, 2018**

DESCRIPTION	2017/18 Final Approved Budget	Current Year 2017/18 Actuals	Variance Budget to Actual		Remarks F(Favorable) U(Unfavorable)
	“000”	“000”	“000”		
Board Expenses	20,000	15,624	4,376	22%	F
<b>OTHER OPERATING EXPENSES</b>					
Contracted Services	63,428	53,079	10,349	16%	F
Consumable Stores	7,100	4,139	2,961	42%	F
Research n development	12,550	-	12,550	100%	F
Corporate Social Responsibility	2,300	775	1,525	66%	F
<b>STAFF COSTS</b>					
Salaries Wages & Leave Allowance	223,027	153,403	69,624	31%	F
<b>SELLING &amp; DISTRIBUTION COST</b>					
Cost of Sales / Purchases	253,386	62,925	190,461	75%	F
MICE & Participation in Exhibition	49,465	33,431	16,034	32%	F
Production of Promotion Materials	16,830	8,861	7,969	47%	F
Advertising & Publicity	40,500	27,619	12,881	32%	F
Provision for Depreciation	-	73,344	(73,344)	-100%	U
Provision for bad dedts	-	(3,745)	3,745	-100%	F
<b>Total Expenses</b>	<b>1,003,553</b>	<b>637,211</b>	<b>362,597</b>	<b>36%</b>	<b>F</b>
<b>Surplus/deficit</b>	<b>334,222</b>	<b>(11,261)</b>	<b>345,484</b>	<b>103%</b>	<b>U</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH JUNE, 2018.**

### **1. GENERAL INFORMATION**

KICC is a State Corporation established under the Tourism Act, 2011.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **a. Statement of compliance and basis of preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Corporation and all values are rounded to the nearest thousand (Kshs'000).

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

IAS 19, 'Employee benefits', was amended in June 2012. The impact on the Company will be as follows: to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Amendments to IAS 36, 'Impairment of Assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the company until 1 January 2014.

IFRS 12, 'Disclosure of interest in other entities' – includes the disclosure requirements for all forms of interest in other entities, including interest in subsidiaries, associates, joint arrangements, special purpose entities and other off balance sheet vehicles.

**a) Standards, amendments and interpretations to existing standards that are not yet effective and not early adopted by the Corporation.**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities, IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurements categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the Standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue recognition' (effective annual periods beginning on or after 1 January 2018 and early adoption is permitted). Final standard issued on 28th May 2014 proposed a five step approach;

1. Identity contract – new definitions and additional guidance on contract combination and modification.
2. Separate performance obligation – Performance obligation is accounted for separately if it is 'distinct'; a good/ service is distinct if the customer can benefit from the good/ service on its own and it is not highly dependent on or interrelated with other promised goods/ services in the contract.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Determine transaction price – variable consideration based on probability weighted or most likely amount but is constrained up to the amount that is probable of no significant reversal in the future; reflect time value when significant; credit risk as an expense in separate line on face and measured based on IFRS 9/IAS 39;
4. Allocate transaction price – Based on a relative selling price basis; “residual approach” only used when there is performance obligation with stand-alone price which is highly variable or uncertain.
5. Recognize revenue – Model now based on control, but risk and rewards remains an indicator; criteria for satisfied over time introduced.

### b) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the Corporation’s activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Corporation’s activities as described below.

- i) **Revenue from the sale of goods and services** are recognised in the year in which the *entity* delivers services to the customer, the customer has accepted the services and collectability of the related receivables is reasonably assured. The key revenue streams include conference activities, rent income, leased and casual parking, tower viewing and third party revenue.
- ii) **Grants from National Government** are recognised in the year in which the Corporation actually receives such grants and its respective expenditure done.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in Fixed Deposit Reserves (FDRs), and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Rental income** is recognised in the income statement as it accrues using the effective lease agreements.
- v) **Other income** is recognised as it accrues.

### c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-evaluation less any subsequent accumulated

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

**d) Depreciation and impairment of property, plant and equipment**

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of on-going but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

**Class of Asset**

Freehold Land	00.0%
Buildings and civil works	00.0 %
Furniture	12.5 %
Others ( <i>Tools, Fire extinguishers, Laptop chains</i> )	12.5 %
Carpets	12.5 %
Office equipment	30.0 %
Motor Vehicles	25.0 %
CCTV Cameras	30.0 %
Software's	33.3 %
Plant and Equipment	12.5 %
Communication Equipment	12.5 %

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

**e) Depreciation and impairment of property, plant and equipment**

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an Impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### f) Intangible assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

### g) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

### h) Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. In the year under review a 5% general provision has been made on conference debtors. Bad debts are written off after all efforts at recovery have been exhausted.

### i) Taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

### j) 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 authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

### k) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the corporation or not, less any payments made to the suppliers.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**l) Retirement benefit obligations**

The entity operates a defined contribution scheme for all full-time employees from July 1, 2013. The scheme is administered by Jubilee Insurance and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's Obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

The balance of the defined contribution scheme is as analysed below.

<b>Kshs.'000</b>	<b>Kshs.'000</b>	
Balance at beginning of the year	65,737	31,647
Company contributions during the year	6,309	4,747
Employee's contributions during the year	4,385	3,166
Interest earned on investment of contributions	5,990	4,206
Paid out during the year	(525)	(1485)
Balance at end of the year	<u>81,896</u>	<u>42,281</u>

**m) Provision for staff leave pay**

Employees' entitlements to annual leave are recognised as they accrue at the employees. At provision is made for the estimated liability for annual leave at the reporting date.

**n) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the Corporation operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**o) Comparative figures**

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

**p) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

**q) Provision for employee entitlement-Staff leave pay**

Employee entitlement to annual leave are recognised and paid immediately within the financial year when they accrue.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certain employees of the Corporation are entitled to service gratuity based on resignation or termination of employment based on 31% of their basic pay for the period of time worked for. The service gratuity is provided for in the financial statements as it accrues to each employee.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

The Corporation makes estimates and assumption concerning the future. The resulting accounting estimates will by definition, seldom equal to related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### **Income taxes**

The Corporation is subject to various income taxes. Significant judgement is required in determining the Corporation's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognizes liabilities or anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially record, such differences will impact the income tax provisions in the period in which such determination is made.

#### **Gratuity scheme obligations**

The present value of the gratuity obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for gratuity include the discount rate and future salary increases. Any changes in these assumptions will impact the carrying amount of gratuity obligations.

The Corporation relies on an independent actuary to determine the appropriate discount rate at the end of the year. This is the interest rate that should be used to determine the present value of estimate future cash outflows expected to be required to settle the pension obligations.

### 4. FINANCIAL RISK MANAGEMENT

The corporation's activities expose it to a variety of financial risks including credit and liquidity risks and the effects of changes in foreign currency rates. The corporation's overall risk management programme focuses on unpredictability of changes in the operating environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

#### **i) Foreign exchange risk**

The corporation receives payments from clients and makes payments in US Dollars. The corporation is therefore exposed to foreign exchange risk arising primarily with respect to the US dollar transactions.

Foreign exchange risk arises from future commercial transactions, recognized income, assets and liabilities.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ii) Interest rate risk**

The corporation is exposed to interest rate risk as it holds short term bank deposits at fixed interest rates.

**iii) Price risk**

The corporation does not hold investments that would be subject to price risk hence this risk is not relevant

**iv) Credit risk**

The corporation's credit risk is primarily attributable to its trade receivables.

**v) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board of Directors through the senior management of the corporation. Management has built an appropriate liquidity risk management framework for the management of the corporation's short, medium and long-term funding and liquidity management requirements. The corporation manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows.

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2018 Kshs'000	2017 Kshs'000
<b>5 SALES</b>		
Conference	112,047	297,896
Rent	228,946	198,692
Leased Parking	155,280	148,034
Casual Parking	2,367	2,721
Tower viewing	18,588	12,391
	<b>517,228</b>	<b>659,734</b>
	=====	=====
<b>6 OTHER INCOME</b>		
Catering	55,006	132,269
Equipment	48,639	515,869
	<b>103,644</b>	<b>648,138</b>
	=====	=====
<b>7 ADMINISTRATION COSTS</b>		
Electricity and water	58,380	66,900
Communication services and supplies	3,725	2,853
Transportation, travelling and subsistence	6,816	10,151
Printing, stationery and photocopying	3,733	4,181
Staff training expenses	23,300	22,970
Hospitality supplies and services	21,359	20,635
Insurance costs	52,961	36,643
Bank charges and commissions	1,437	846
Auditors' remuneration	500	500
Consultancy fees	7,762	8,289
Legal fees, license & rates	4,766	19,906
Repairs and maintenance	23,017	27,153
Other operating expenses	57,993	72,858
Provision for bad debts	(3,745)	32,702
	<b>262,002</b>	<b>326,587</b>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018	2017
	Kshs'000	Kshs'000
<b>8 STAFF COSTS</b>		
Salaries and allowances of permanent employees	145,507	142,219
Gratuity, Pension and Retirement Benefits	7,895	6,605
	<u>153,403</u>	<u>148,824</u>
	=====	=====
<b>The average number of employees at the end of the year was:</b>		
Permanent employees – Management	134	134
	<u>134</u>	<u>134</u>
	=====	=====
<b>9 DIRECTORS EMOLUMENTS</b>	<b>15,624</b>	<b>22,195</b>
	=====	=====
<b>10 SELLING AND DISTRIBUTION COSTS</b>		
Third party outsourcing	62,925	457,665
Advertising and publicity	27,619	55,211
Participation in exhibitions	33,431	40,662
Production of promotional materials	8,861	10,548
	<u>132,837</u>	<u>564,086</u>
	=====	=====
<b>11 FINANCE INCOME</b>		
Interest income on short-term bank deposits	5,077	4,396
	<u>5,077</u>	<u>4,396</u>
	=====	=====
<b>12 INCOME TAX EXPENSE/(CREDIT)</b>		
<b>(a) Current taxation</b>		
Current taxation based on the adjusted profit for the year at 30%	(3,378)	48,061
	<u>(3,378)</u>	<u>48,061</u>
	=====	=====

(b) Reconciliation of tax expense/(credit) to the expected tax based on accounting profit

Profit before taxation	(11,261)	160,205
Loss before Taxation B/F	-	(167,560)
	<u>(11,261)</u>	<u>(7,355)</u>
	=====	=====
 Tax at the applicable tax rate of 30%	 (3,378)	 (2,207)
	<u>(3,378)</u>	<u>(2,207)</u>
	=====	=====

**13 PROPERTY, PLANT AND EQUIPMENT**

	Freehold land	Buildings & civil works	Furniture	Others	Carpets	Office equipment	Motor vehicle	CCTV/security enhancement	Plant & equipment	Communication Equipment	Capital work in progress	Total
	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'	Kshs. '000'
<b>COST OR VALUATION</b>												
At July 1, 2016	1,000,000	1,729,465	210,849	16,645	56,074	61,257	16,335	37,045	83,324	311,948	1,141,912	4,664,854
Additions		4,564	4,003	470		5,117	20,875			6,388		41,417
WTO Projects		167,058						71,593			(238,651)	-
Disposals/VAT a/c												-
<b>At June 30, 2017</b>	<b>1,000,000</b>	<b>1,901,087</b>	<b>214,852</b>	<b>17,115</b>	<b>56,074</b>	<b>66,374</b>	<b>37,210</b>	<b>108,638</b>	<b>83,324</b>	<b>318,336</b>	<b>903,261</b>	<b>4,706,271</b>
At July 1, 2017	1,000,000	1,901,087	214,852	17,115	56,074	66,374	37,210	108,638	83,324	318,336	903,261	4,706,271
Additions		21,918				2,800				445	88,365	113,528
Transfers												-
Reversals												
<b>At June 30, 2018</b>	<b>1,000,000</b>	<b>1,923,005</b>	<b>214,852</b>	<b>17,115</b>	<b>56,074</b>	<b>69,174</b>	<b>37,210</b>	<b>108,638</b>	<b>83,324</b>	<b>318,781</b>	<b>991,626</b>	<b>4,819,799</b>
<b>DEPRECIATION</b>												
At July 1, 2016	-	260,953	108,716	5,747	20,419	47,141	14,072	34,349	38,941	101,755	-	632,093
Charge for the year	-	-	13,267	1,421	4,457	5,770	5,785	22,287	5,548	27,073	-	85,608
<b>At June 30, 2017</b>	<b>-</b>	<b>260,953</b>	<b>121,983</b>	<b>7,168</b>	<b>24,876</b>	<b>52,911</b>	<b>19,857</b>	<b>56,636</b>	<b>44,489</b>	<b>128,828</b>	<b>-</b>	<b>717,701</b>
At July 1, 2017	-	260,953	121,983	7,168	24,876	52,911	19,857	56,636	44,489	128,828	-	717,701
Charge for the year	-	-	11,609	1,243	3,900	4,879	4,338	15,601	4,854	23,744	-	70,168
<b>At June 30, 2018</b>	<b>-</b>	<b>260,953</b>	<b>133,592</b>	<b>8,411</b>	<b>28,776</b>	<b>57,790</b>	<b>24,195</b>	<b>72,237</b>	<b>49,343</b>	<b>152,572</b>	<b>-</b>	<b>787,869</b>
<b>NET BOOK VALUE</b>												
At June 30, 2018	1,000,000	1,662,052	81,260	8,704	27,298	11,384	13,015	36,401	33,981	166,209	991,626	4,031,930
At June 30, 2017	1,000,000	1,640,134	92,869	9,947	31,198	13,463	17,354	52,002	38,835	189,508	903,261	3,988,571

**THE KENYATTA INTERNATIONAL CONVENTION CENTRE**

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

	2018	2017
	Kshs'000	Kshs'000
<b>14 INTANGIBLE ASSETS (Software)</b>		
<b>COST</b>		
At July 1	44,180	39,521
Additions	-	4659
Transfers		
	<hr/>	<hr/>
As at 30 <sup>th</sup> June	<b>44,180</b>	<b>44,180</b>
	<hr/>	<hr/>
<b>AMORTISATION</b>		
At July 1	34,650	29,885
Charge for the year	3,176	4,765
	<hr/>	<hr/>
As at 30 <sup>th</sup> June	<b>37,826</b>	<b>34,650</b>
	<hr/>	<hr/>
<b>NET BOOK VALUE</b>		
As at June 30	<b>6,354</b>	<b>9,530</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>15 TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	920,328	826,963
Deposits and prepayments	16,303	16,303
Receipt Control Account	388	6,817
Special Receivables	-	3500
General provision for Bad Debts	(28,957)	(32,702)
	<hr/>	<hr/>
Gross trade and other receivables	<b>908,062</b>	<b>820,881</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>16 STAFF RECEIVABLES</b>		
Gross car loans advance	10,350	14,352
Staff Imprest	787	846
	<hr/>	<hr/>
	<b>11,137</b>	<b>15,198</b>
	<hr/> <hr/>	<hr/> <hr/>

**THE KENYATTA INTERNATIONAL CONVENTION CENTRE**

**17 TAX LIABILITY**

At beginning of the year	26,371	59,725
Income tax charge for the year	(3,378)	(2,207)
Income tax paid during the year	-	(31,147)
At end of the year	<b>22,993</b>	<b>26,371</b>
	=====	=====

**18 CASH AND CASH EQUIVALENTS**

SHORT TERM DEPOSITS

Kenya Commercial Bank	-	100,000
	-----	-----
	-	100,000
	=====	=====

**b) BANK AND CASH BALANCES**

BANK	BRANCH	TYPE	AMOUNT	AMOUNT
Kenya Commercial Bank	KICC	Operations	141,837	27,353
Kenya Commercial Bank	KICC	Development	32,822	28,205
Kenya Commercial Bank	KICC	USD	46,785	39,376
Co-operative Bank	CITYHALL	Operations	296,048	554,537
Cash in Hand			132	80

**TOTAL CASH AND CASH EQUIVALENTS** **517,624** **749,550**

*[The bulk of the cash at bank was held at Cooperative Bank of Kenya and Kenya Commercial Bank, the Corporation's main bankers.]*

**19 Notes to the Statement of Cashflows**

<b>a)</b>	<b>Reconciliation of operating profit/ (loss) to</b>		
	<b>Cash generated from/ (used in) operations</b>		
	Operating profit/ (loss)	(11,261)	160,205
	Depreciation and amortization	73,344	90,371
	Interest Income	(5,077)	(4,396)
		-----	-----
	Operating profit/ (loss) before working capital changes	<b>57,006</b>	<b>246,180</b>

**THE KENYATTA INTERNATIONAL CONVENTION CENTRE**

(Increase)/decrease in trade and other receivables	(87,181)	(247,086)
Increase/ (decrease) in trade and other payables	(97,363)	104,160
Increase/ (decrease) in staff advances and loans	4,061	3,188
Increase/ (decrease) in Tax paid		(81,415)
<b>Cash generated from/ (used in) operations</b>	<b>(123,419)</b>	<b>(123,477)</b>

**(b) Analysis of cash and cash equivalents**

Short term deposits	-	100,000
Cash at bank	517,624	649,550
<b>Balance at end of the year</b>	<b>517,624</b>	<b>749,550</b>

	<b>2018</b>	<b>2017</b>
	<b>Kshs'000</b>	<b>Kshs'000</b>
<b>20 TRADE AND OTHER PAYABLES</b>		
Trade payables	494,399	486,518
Provisions	8,482	4,320
Provisions for contingency		
-WTO and related projects	507,523	608,631
Other Payables	102,649	160,804
Relief Fund Payable	-	3,300
Receipts in Advance	119,478	66,319
	<u>1,232,530</u>	<u>1,329,892</u>
	=====	=====
<b>21 CAPITAL FUND</b>		
Shareholder's Equity	3,933,446	3,933,446
	<u>3,933,446</u>	<u>3,933,446</u>
	=====	=====

The Corporation is a Parastatal wholly (100%) owned by the Government of Kenya, the Capital Reserve includes the original valuation of the Corporation and subsequent grants received from the Government.

**23 RELATED PARTY TRANSACTIONS DISCLOSURES**

The Corporation is wholly owned and controlled by the Government of Kenya through the Ministry of Tourism; there are no other companies which are related to the Corporation. The following transactions were carried out with related parties:

**i) Key management compensation**

Salaries and other short-term employment benefits	153,403	148,825
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**THE KENYATTA INTERNATIONAL CONVENTION CENTRE**

**AUDIT RECOMMENDATIONS**

Reference No. on the external audit Report	Issue/Observations from Auditor for the FY 2016/17	Management Comments	Focal Point person to resolve the issue	Status (Resolved/Not resolved)	Time frame
1.1.1	Lack of title to COMESA, Courtyard Land, Garden Square Restaurant	The Corporation is in talk with the relevant Government agencies with an aim of getting title for the said piece of land.	CEO	Not resolved	On going
1.1.2	Valuation of Assets should be done after every 5 years	The asset revaluation exercise undertaken in the financial year 2017/2018	CEO	Resolved	Done
1.1.3	Motor Vehicle Registration	The matter was followed up with relevant authorities and the anomaly corrected.	CEO	Resolved	Done
1.1.4	Asset register	The asset tagging exercise undertaken in the financial year 2017/2018	CEO	Resolved	Done
2.2.1	Outstanding Trade and receivables	Given that 70% of KICC sales are on credit, the debt portfolio has increased in tandem with the increase in sales. However, management has made substantial efforts in pursuing the outstanding debts. In addition, the existing procedures for issuance of debt have been enhanced to ensure that clients, private clients pay before the event is held; while for government institutions, an LSO or Commitment letter ought to be provided.	CEO	Not resolved	On going
2.2.2	Tenancy Agreement	The issue is being followed up through correspondences.	CEO	Not resolved	On going
3.0.0	Flawed procurement process – World Trade Organization (WTO) Conference	Management has engaged KENAO on special audit for the WTO projects and awaiting response.	CEO	Not resolved	On going

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