

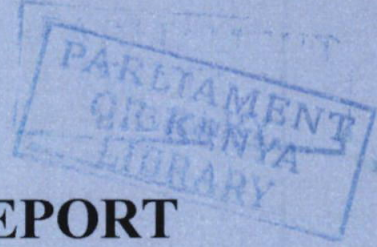
REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

*Paper Laid*  
*Paper laid by*  
*Hon Aden Duale*  
*L.O.M on*  
*Wednesday*  
*1st April*  
*2015*  
*(Signature)*

04 APR 2015



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF KENYA  
CULTURAL CENTRE**

**FOR THE YEAR ENDED  
30 JUNE 2014**

*V.7*





THE  
**KENYA**  
CULTURAL CENTRE  
INCORPORATING THE KENYA NATIONAL THEATRE

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**THE KENYA CULTURAL CENTRE**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2014**

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

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## 1. KEY KENYA CULTURAL CENTRE INFORMATION

### a) Background information

The Kenya Cultural Centre was established by the Kenya Cultural Centre Act of Parliament on (20<sup>th</sup> March, 1951). At Cabinet level, the Centre is represented by the Cabinet Secretary for the Ministry of Sports, Culture and the Arts, who is responsible for the general policy and strategic direction of the KCC.

### b) Principal Activities

The principal activity of the Kenya Cultural Centre is to provide a centre for the use and enjoyment of all the citizens of Kenya without distinction of race or creed, and provide for the performance of music, drama and dances, for the exhibition of works of art and craft and for the holding of meetings, for discussion on matters of literacy, historical, scientific or educational interest and importance.

### c) Directors

The Governing Council Members who served the Centre during the year/period were as follows:

- |     |                           |   |   |
|-----|---------------------------|---|---|
| 1.  | Eng. Patrick Obath        | - Chairman                                    | - Elected March, 2013                                       |
| 2.  | Dorothy Angote Muya       | -Vice Chairman                                | - Elected March 2013  |
| 3.  | Kimingichi Wabende        | -Chairman Programs Committee                  |   |
| 4.  | Suzanne Gachukia          | - Chairman Finance & Administration committee |   |
| 5.  | Dr. Salome Mshai Mwangola | -Member                                       |   |
| 6.  | Ole Moipei Nicholas       | - Member                                      |   |
| 7.  | Fred Obachi Machoka       | -Member                                       |   |
| 8.  | Wenslas S.A Ong'ayo       | -Member                                       | -Alternate to PS Ministry of Sports<br>Culture and the Arts |
| 9.  | John Munge                | - Member                                      | - Alternate to PS The Treasury                              |
| 10. | Lorna Abungu              | -Member                                       | -Left June 2014   |
| 11. | John Sibi Okumu           | -Member                                       | -Left February 2014   |
| 12. | Aghan Odero Agan          | - Chief Executive                             | - Appointed July 2010                                       |

### d) Registered Office

Kenya Cultural Centre  
Harry Thuku Road  
P.O. Box 43031 00100  
Nairobi, KENYA

**e) Kenya Cultural Centre Headquarters**

Kenya Cultural Centre  
Harry Thuku Road  
P.O. Box 43031 00100  
Nairobi, KENYA

**f) Corporate Contacts**

Telephone: (254) 020 267 2843  
Cell: 0726 008677  
E-mail: director.culturalcentre@ymail.com  
Website:

**g) Corporate Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya
2. Barclays Bank of Kenya  
P.O Box 30120  
GPO 00100  
Nairobi





**h) Independent Auditors**

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

**i) Principal Legal Advisers**

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

## II. THE GOVERNING COUNCIL

 <p>Eng. Patrick Obath</p>	<p>Born in 1957. Holder of BSc. in Mechanical Engineering, Nottingham University          Member of the Energy Institute (UK),          Member of the Petroleum Institute of East Africa          Member of the Institution of Engineers in Kenya.          Fellow of the Aspen Global Leadership Network (AGLN)          Fellow of the African Leadership Initiative (ALI).</p>
 <p>Dorothy Angote-Muya CBS</p>	<p>Bachelor of Laws (LLB Hons.) University of Nairobi.          Alumnus of Harvard University.          Member of Advisory Board of the International Centre for Democratic Transition (ICDT)          Member of African union Advisory Board on Corruption (AUABC)</p>
 <p>Kimingichi Wabende</p>	<p>BA UoN, MA LIT UoN, PHD LIT UON          Lecturer Dept of Literature, Theatre/Drama          Performance studies</p>
 <p>Suzanne Gachukia HSC</p>	<p>A graduate.          A music educator, accomplished composer, musician, performer and producer.          Pioneer of talent nurturing and discovery initiatives</p>



Dr. Salome Mshai Mwangola

Born 1967. Holder of:  
1. Doctorate in Performance Studies from Northwestern University (USA) [2008],  
2. a Masters of Creative Arts, University of Melbourne (Australia) [2000]  
3. a Bachelor of Education from Kenyatta University (Kenya)[1990].



Ole Moipei Nicholas HSC

Born 1961  
1. Bachelor of Education (Music) degree from Kenyatta University.  
2. Career Music Teacher/Lecturer  
3. Member of the Kenya Music Festivals Foundation National Executive Committee  
4. Chairman of Kenya Music and Cultural Festivals since 2012



Fred Obachi Machoka

Born: 09/09/1953, Holder of:  
Head of State Commendation award  
PROFESSIONAL QUALIFICATIONS  
Kenya Police College  
Signals Training School  
Higher Group Diploma in Marketing & PR (London-UK)

Wenslas S.A Ong'ayo

Director of Administration II Ministry of Sports Culture and the Arts






John Munge

Born 1959.  
CPA over 20yrs experience in Public Management, debt, investments and finances

 <p>Aghan Odero Agan</p>	<p>Born May 14, 1965. Holder of:</p> <ol style="list-style-type: none"> <li>1. Post Graduate Certificate in Communicating Culture to Children. 2001 Maastricht University Amsterdam</li> <li>2. Certificate in Project Management (CHEDA Centre for Heritage Development in Africa)</li> <li>2. Post Graduate Arts &amp; Culture Management Diploma Certificate. 1996 (University of Witwatersrand RSA)</li> <li>3. Bachelor of Business Administration (Hons.) 1989. University of Nairobi.</li> </ol>
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### III. MANAGEMENT TEAM

 <p>Aghan Odero Agan</p>	<p>Overall Administrative Management and Strategic Executive Leadership of the institution; Official Spokesperson and Representative</p>
 <p>Farrah Nurani</p>	<p>Institutional Programmatic Management and Resource Mobilization</p>
 <p>Grace Wanja</p>	<p>Financial, Accounting and Administration</p>

## **IV. CHAIRMAN'S STATEMENT**

I am pleased to present the Annual Report and Accounts of The Kenya Cultural Centre (KCC) for the period July 2013 to June 2014. The KCC's core functions remain to be provision of space for cultural reference, expression and industry. With the support and commitment of the Governing Council Members, the various committees, the management team and stakeholders, The Kenya Cultural Centre has continued to discharge its mandate.

### **Creative Cultural Activities**

In the financial year 2013/14, The Kenya Cultural Centre facilitated diverse creative activities in artistic production processes comprising Rehearsals, Workshops, Dance Trainings, Auditions for Television/Film/Beauty Pageantry/Fashion and Design. Live Theatre shows, Musical Concerts, Cultural Festivals and Public Discourses on matters socio-cultural. All these has been made possible by the support of GoK through financial grant during the financial period.

### **Finance**

The Kenya Cultural Centre raised Kshs 8.4 in Appropriation in Aid for the year 2013/14 against Kshs. 10.7 received in the previous year. The decrease was due to the closure of the Kenya National Theatre for renovations from December 2013 to the end of the financial year and beyond. The Centre received a Development Grant of Kshs. 20,000,000 and a recurrent grant of Kshs 13,513,434. Our recurrent expenditure was Kshs 20.6 million therefore the end of year shows a surplus of Kshs. 3.2 Million for the recurrent. The entire Development Expenditure was not utilised but rolled over to the current Financial Year as it was marked for the renovation of the National Theatre auditorium that later received partial Sponsorship by the east Africa Breweries Limited (EABL/KBL) under auspices of Kenya @50 flagship Public Private Partnership (PPP) Legacy Projects.

### **Fundraising**

There is a great need to intensity Fund raising efforts in order to mobilize resources to meet all of The KCC's obligations including recurrent expenditure and capital development. Technical Management of Creative Cultural processes, Communications, Public Relations, Marketing and Resource Mobilization efforts at the Centre require urgent strengthening. In this regard, processes to bolster institutional internal capacity for effective service delivery are already in progress.

### **Appreciation**

I commend my fellow Governing Council members for their availability to attend meetings and provide invaluable contribution. I urge us all to continue working as a team in order to address the numerous challenges still ahead of us.

I specially thank the Vice chairman, Ms. Dorothy Angote-Muya for her support and her willingness to step in for me whenever the circumstances call for it.

I would like to thank the Executive Director, Mr. Aghan Odero, the Management Team and the KCC staff for their continued dedication and hard work during the year.

Lastly, on behalf of the Governing Council (GC) members and on my own behalf, I take this opportunity to thank the Ministry of Sports Culture and the Arts, the Government of Kenya and all our stakeholders for the support provided to the Centre. May God bless you all.

## V. REPORT OF THE EXECUTIVE DIRECTOR

I am pleased for this annual opportunity to share the brief summary of the financial performance of the Kenya Cultural Centre.

### **Revenue**

The Kenya Cultural Centre for the first time since its establishment 63 years ago through CAP 218 of March, 1951 Laws of Kenya managed to receive direct GoK grant funding during this financial year . KCC received total grant of Kshs.33, 513,434 being Current Grant of Kshs. 13,513,434 and Development grant of Kshs. 20,000,000. Further, KCC was able to raise A.I.A of Kshs 8,444,555 from the Centre's vehicular parking grounds, Hire of Theatre auditorium, Audition rooms, other Creative activities facilities and office rentals.

### **Expenses**

Strict financial discipline and accountability has remained a key factor in managing the resources of The KCC. The total expenses for the year stood at Kshs. 20.6 Million all of it being recurrent expenditure.

The KCC have earmarked the development grant of Kshs. 20,000,000 to the completion of development of Design and Bills of Quantities (BQ) for the refurbishment of its entire built and open ground facilities comprising Cultural Centre building, National Theatre grounds and The Mugumo Courtyard creative space. The National Theatre renovation project was partially sponsored by the EABL/KBL under Kenya @50 Celebrations Legacy projects. This released the money for use in rehabilitation of other facilities within the Centre. However, by the end of the year, the Centre was in the conclusive process of adopting architectural design works including resultant BQs. The Centre through the parent Ministry, wrote to the Investment Secretary requesting the rolling over of the funds to the current financial year for the completion of the already initiated renovation process.

### **Performance**

KCC was able to undertake programs that contributed to the development of cultural and artistic expressions during the year.

Our net operating results show a surplus of Kshs. 23.2 Million as reported on page 1 of the financial report. Our assets have grown by about 11% over last year and by on the whole we have been able to maintain a healthy balance sheet with strong asset position.

### **Target**

We expect to engage in additional resource mobilization this year to raise additional financing to help complete renovation of National Theatre auditorium, Cultural Centre building, Mugumo creative Courtyard, Kona ya Wasanii and other creative artistic spaces. This also includes acquisition of The Kenya Cultural Centre's operational motor vehicles critical for programmatic support to achieve impactful outcome in planned cultural and artistic initiatives.

We also expect to review the Kenya Cultural Centre Act Cap 218 to align it with the 2010 Constitution besides other relevant operational policy guidelines applicable within the sector.

### **Conclusion**

I am grateful to the Kenya Cultural Centre Governing Council (KCC-GC) for their support and good stewardship of the Centre. I also wish to thank the staff of the Kenya Cultural Centre for their dedication to their work. May the Lord in His time bless each one as only He can.

I look forward to the continued growth of the Kenya Cultural Centre as we strive to serve our clients and stakeholders in the years ahead. Thank you.

## **VI. CORPORATE GOVERNANCE STATEMENT**

The Kenya Cultural Centre Governing Council supports best practice in corporate governance. Corporate Governance is the process and structure used to direct and manage business affairs of an institution towards enhancing prosperity and corporate accounting, with the ultimate objective of realizing stakeholders' long-term value.

### **Governing Council**

The Kenya Cultural Centre Governing Council consists of a Chairman, Eng. Patrick Obath, 11 Council members who are non-executive and one Executive Director (ED/CEO). The director's profiles appear on Page v.

All the non-executive directors are considered to be independent of management and have an appropriate range of expertise both in business and cultural sector for proper stewardship of the Centre.

The Governing Council's appointment is for 3 years renewable once. The appointing authority is the Cabinet Secretary in the Ministry responsible for culture, currently being the Ministry of Sports Culture and the Arts.

### **Responsibilities**

The Governing Council meets quarterly to consider key issues pertinent to the proper running of The Kenya Cultural Centre and any matters which would have a material effect on the Centre's financial position, future strategy and reputation.

To enable the Council to function effectively and allow directors to discharge their responsibilities, full and timely access is given to all relevant information. In case of Governing Council meetings, this consists of regular progress reports and discussion documents regarding specific matters.

The Council delegates to the Executive Director, powers for the day-to-day management of the Centre and to assist him in fulfilling his responsibilities, the Council has constituted the following committees: 1. Programmes and 2. Finance and Administration. Other ad hoc committees are set up as and when need arises. Details of the two main committees are given below:

### **Programmes Committee**

The Committee is chaired by a GC member Mr. Kimingichi Wabende and comprises of four other GC members who are all non-executive. In addition, the Executive Director and Programmes Coordinator fulfil attendance of the committee's deliberations.

The committee meets quarterly to review all areas of programming and programmatic activities as proposed and administered by the management.

### **Finance and Administration Committee**

This GC committee comprises five governing council members and is chaired by Ms. Suzanne Gachukia. The Executive Director and the Head of Finance also participate in its deliberations.

The committee's responsibility is to ensure the Centre's Finance and Administration policies are in line with the best market practise. The committee seats quarterly to review the financial reports, and provide guidance in administrative matters.

## **VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

As a Governing Council we acknowledge that we need to promote socially responsible behaviour. This will help build our reputation and strengthen relationships with customers, stakeholders and the general public. In order to achieve this, the GC has focuses on building and sustaining efforts geared towards collaborations and partnerships with other industry stakeholders. Through the years, the GC has been able to partner with various institutions and will work towards enhancing its regulatory and advisory role in Cultural matters in the coming years.

We also take responsibility for ensuring that care for our environment since we have an obligation to our community, investors and customers. The GC actively encourages our staff to recognize those responsibilities and behave in a responsible manner toward the society in which we function.

We regard the setting of a good example as an important practice in this regard. Below are a few examples of how our Governing Council and staff have shown their commitment to practice responsible corporate behaviour and to establish and support initiatives in the community.

### **Environment**

We encourage staff to work closely with companies and organizations to ensure the recycling of waste is practical for example paper, plastics etc.

## **VIII. REPORT OF THE GOVERNING COUNCIL**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of the Centre's affairs.

### **Principal Activities**

The principal activities of the Centre continue to be development and promotion of creative cultural activities for use and enjoyment of all Kenyan citizens without discrimination or distinction whatsoever along the lines of race, creed, ethnicity, religion and status nor class among many others.

The Centre does this by providing for performance of music, drama and dances, exhibition of works of art and craft and for the holding of meetings, discussion on matters of literacy, historical, scientific or educational interest and importance.

### **Results**

The results of the Kenya Cultural Centre for the year ended June 30, 2014 are set out on page 1

### **Auditors**

The Auditor General is responsible for the statutory audit of the Centre.

By Order of the Governing Council

## IX. STATEMENT OF GOVERNING COUNCILS' RESPONSIBILITIES

Section 84 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Governing Council to prepare financial statements in respect of the Kenya Cultural Centre, which give a true and fair view of the state of affairs of the Centre at the end of the financial year/period and the operating results of the Centre for that year/period. The Governing Council Members are also required to ensure that the Centre keeps proper accounting records which disclose with reasonable accuracy the financial position of the Centre. The Governing Council are also responsible for safeguarding the assets of the Kenya Cultural Centre.

The Directors are responsible for the preparation and presentation of the Centre's financial statements, which give a true and fair view of the state of affairs of the Centre for and as at the end of the financial year (period) ended on June 30, 2014. 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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Centre'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 Governing Council are of the opinion that the Centre's financial statements give a true and fair view of the state of KCC's transactions during the financial year ended June 30, 2014, and of the Centre's financial position as at that date. The Governing Council further confirm the completeness of the accounting records maintained for the Kenya Cultural Centre, which have been relied upon in the preparation of the Centre's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Governing Council to indicate that the Centre 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 Kenya Cultural Centre's financial statements were approved by the Governing Council on 24/12/ 2014 and signed on its behalf by:



**Chairman**



**Council Member**



**Executive Director**

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON KENYA CULTURAL CENTRE FOR THE YEAR ENDED 30 JUNE 2014

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Kenya Cultural Centre set out on pages 1 to 13, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets and statement of cash flows 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **Management's responsibility for the financial statements**

The 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 such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cultural Centre's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Basis for Qualified Opinion**

#### **1. Administration costs**

The statement of financial performance for the year ended 30 June 2014 reflects administration costs totalling Kshs.20,004,263.00 which increased by Kshs.9,931,932.00 or 98.61% from Kshs.10,072,331.00 reflected in 2012/2013. No satisfactory explanation has been provided for the huge increase.

#### **2. Unexplained decline in sales revenue**

The statement of financial performance for the year ended 30 June 2014 reflects sales revenue totalling Kshs.8,444,555.00 which decreased by Kshs.2,325,138.00 or 21.59% from Kshs.10,769,693.00 reflected in 2012/2013. No satisfactory explanation has been provided for the decrease in sales.

#### **3. Property, plant and equipment**

The statement of financial position as at 30 June 2014 reflects property, plant and equipment balance of Kshs.203,535,867.00. Included in the figure of Kshs.203,535,867.00 are freehold land and buildings valued at Kshs.120,000,000.00 and Kshs.80,000,000.00 respectively whose ownership documents were not provided for audit review.

In the circumstance, it has not been possible to confirm the ownership of land and buildings worth Kshs.200,000,000.00 as at 30 June 2014.

#### **4. Undetermined Rent arrears**

The Cultural Centre signed a lease agreement with the then East African Conservatoire of Music now Kenya Conservatoire of Music on 14 December 1961 to occupy a whole wing of the building. The lease agreement required the lessee to pay two hundred and sixteen (216) monthly installments of Kshs.1,150.00 commencing on the first day of October 1960. However, the lessee did not pay rent amounting to Kshs.248,400.00 from October 1960 to October 1978, a period of 216 months (18 years) as agreed.

Further, the outstanding amount of Kshs.248,400.00 rent not paid up to October 1978, excludes an undetermined amount of rent arrears up to 30 June 2014 for which no lease agreement was provided for audit review.

In the circumstances, it has not been possible to confirm the accuracy and completeness of the receivables balance of Kshs.6,026,730.40 reflected in Note (8) of the financial statements and included in the trade and other receivables balance of Kshs.7,370,426.40 as at 30 June 2014.

### **Qualified Opinion**

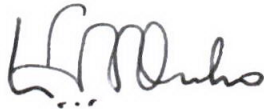
In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Kenya Cultural Centre as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Kenya Cultural Centre Act, 1951.

### **Other Matter**

I draw your attention to the following matter:

The audit revealed that the Cultural Centre does not have proper systems and structures necessary for running the centre including internal audit and audit committee, Information Technology (IT) policy for management and control of IT functions and assure on data integrity.

My Opinion is not qualified on this matter.



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

**Nairobi**

**3 March 2015**

**VI. STATEMENT OF FINANCIAL PERFORMANCE**

	<b>Note</b>	<b>2014 Kshs</b>	<b>2013 Kshs</b>
<b>REVENUES</b>			
Sales	3	8,444,555.00	10,769,693.00
Grants from National Government	3	33,513,434.00	-
Other Income	3	1,888,778.00	-
<b>TOTAL REVENUES</b>		<b>43,846,767.00</b>	<b>10,769,693.00</b>
<b>OPERATING EXPENSES</b>			
Administration Costs	4	20,004,263.00	10,072,331.00
Depreciation of property, plant and equipment	6	622,309.00	243,793.00
<b>TOTAL OPERATING EXPENSES</b>		<b>20,626,572.00</b>	<b>10,316,124.00</b>
<b>SURPLUS FOR THE PERIOD</b>		<b>23,220,195.00</b>	<b>453,569.00</b>

**VII. STATEMENT OF FINANCIAL POSITION**

	Note	2014 Kshs	2013 Kshs
<b>ASSETS</b>			
<b>Current Assets</b>			
Bank and cash balances	7	24,414,157.00	2,403,658.00
Trade and other receivables	8	7,360,426.00	6,798,986.00
<b>Total Current Assets</b>		<b>31,774,583.00</b>	<b>9,202,644.00</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	203,535,867.00	201,487,834.00
<b>Total Non-Current Assets</b>		<b>203,535,867.00</b>	<b>201,487,834.00</b>
<b>Total assets</b>		<b>235,310,450.00</b>	<b>210,690,478.00</b>
<b>Current Liabilities</b>			
Trade and other payables	10	68,842,676.70	67,009,149.00
<b>Total Current Liabilities</b>		<b>68,842,676.70</b>	<b>67,009,149.00</b>
Revaluation reserve		2,517,112.00	2,519,112.00
Retained earnings		163,950,661.30	141,162,217.00
		<b>235,310,450.00</b>	<b>210,690,478.00</b>

The financial statements were approved by the Governing Council on 24/12/ 2014 and signed on its behalf by:



**Chairman**



**Council Member**



**Executive Director**

**XIII. STATEMENT OF CHANGES IN EQUITY**

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Total
<b>At July 1, 2012</b>		2,517,112	-	140,708,648	-	143,225,760
Total comprehensive income	-	-	-	453,569	-	453,569
<b>At June 30, 2013</b>	-	2,517,112	0	141,162,217	0	143,679,329
<b>At July 1, 2013</b>		2,517,112	-	141,162,217	-	143,679,329
Total comprehensive income	-	-	-	23,220,195	-	23,220,195
<b>At June 30, 2014</b>	-	2,517,112	0	164,382,412	0	166,889,524

#### XIV. STATEMENT OF CASH FLOWS

	2014 Kshs	2013 Kshs
<b>OPERATING ACTIVITIES</b>		
Cash generated from/(used in) operations	23,220,195	1,360,477
<b>Net cash generated from/(used in) operating activities</b>	<b>23,220,195</b>	<b>1,360,477</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	-2,670,342	-336,680
<b>Net cash generated from/(used in) investing activities</b>	<b>-2,670,342</b>	<b>-336,680</b>
<b>FINANCING ACTIVITIES</b>		
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>20,549,853</b>	<b>1,023,797</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>2,403,658</b>	<b>1,379,861</b>
Effects of foreign exchanges rate fluctuations		
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>22,953,511</b>	<b>2,403,658</b>

**XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

	<b>Original budget</b>	<b>Adjustments</b>	<b>Final budget</b>	<b>Actual on comparable basis</b>	<b>Performance difference</b>
	<b>2013-2014</b>	<b>2013-2014</b>	<b>2013-2014</b>	<b>2013-2014</b>	<b>2013-2014</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>
<b>Revenue</b>					
Recurrent Government grants and subsidies	17,100,000.00	-	17,100,000.00	13,513,434.00	3,586,566.00
Development Government grants and subsidies	20,000,000.00		20,000,000.00	20,000,000.00	-
Sale of Services and other income	8,466,320.96		8,466,320.96	10,333,333.00	(1,867,012.04)
<b>Total income</b>	<b>45,566,320.96</b>	<b>-</b>	<b>45,566,320.96</b>	<b>43,846,767.00</b>	<b>1,719,553.96</b>
					-
<b>Expenses</b>					
Administration costs	45,566,321.00		45,566,321.00	20,626,572.00	24,939,749.00
					-
<b>Total expenditure</b>	<b>45,566,321.00</b>	<b>-</b>	<b>45,566,321.00</b>	<b>20,626,572.00</b>	<b>24,939,749.00</b>

## AVI. NOTES TO THE FINANCIAL STATEMENTS

### 1. 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 (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Centre's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Centre.

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

### 2. Summary of significant accounting policies

#### a. Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Centre 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 Centre's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Centre's activities as described below.

**Revenue from the sale of goods and services** is recognised in the year in which the Centre delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

**Grants from National Government** are recognised in the year in which the Centre actually receives such grants.

**Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.

**Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.

**Rental income** is recognised in the income statement as it accrues using the effective lease agreements.

**Other income** is recognised as it accrues.

#### b. In-kind contributions

In-kind contributions are donations that are made to the Centre in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Centre includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

**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-valuation less any subsequent accumulated 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 costs of ongoing 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:

Buildings and civil works	25 years or the unexpired lease period
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%

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

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.

**e. 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.

**f. 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.

**g. Investment property**

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the Centre, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

**h. Finance and operating leases**

Leases which confer substantially all the risks and rewards of ownership to the Centre are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

**i. Fixed interest investments (bonds)**

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

**j. Quoted investments**

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

**k. Unquoted investments**

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

**l. Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

**m. 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. Bad debts are written off after all efforts at recovery have been exhausted.

**n. Taxation**

The Kenya Cultural Centre is exempt from income tax under the First schedule, paragraph 10 of the Kenyan Income Tax Act (cap 470)

**o. 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.

**p. Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

**q. 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 Centre or not, less any payments made to the suppliers.

**r. Retirement benefit obligations**

The company 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.400 per employee per month.

**s. Provision for staff leave pay**

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

**t. Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the Centre 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.

**u. Comparative figures**

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

**v. 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, 2014.

### 3. Revenues and Grants

#### 3(a) Sales

<b>Note 3 (a)</b>	<b>Sales</b>	<b>2013</b>
	<b>2014</b>	<b>kshs</b>
	<b>kshs</b>	<b>Total amount</b>
<b>Revenue category</b>	<b>Total amount</b>	<b>Total amount</b>
Total Parking fee	3,349,345.60	4,269,419.00
Total Rental Income	995,000.00	1,037,500.00
Total Theatre Hiring	4,100,209.00	5,462,774.00
<b>Totals</b>	<b>8,444,554.60</b>	<b>10,769,693.00</b>

#### 3(b) Grants from National government

	<b>2014</b>	<b>2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Current grants received	13,513,434.00	-
Capital grants received	20,000,000.00	-
	<b>33,513,434.00</b>	-

#### 3(c) Other income

	<b>2014</b>	<b>2013</b>
	<b>Kshs</b>	<b>Kshs</b>
Other income	1,888,778.00	-

### 4 Administration costs

	<b>2014</b>	<b>2013</b>
	<b>kshs</b>	<b>kshs</b>
Staff costs	6,178,662	6,236,343.00
Water and electricity	649,149	623,633.00
Newspapers and periodicals	54,914	50,460.00
Telephone and postage	184,100	154,760.00
Cleaning	260,569	350,853.00
Printing and stationery	818,714	132,462.00
Security	1,239,900	722,400.00
Bank charges	42,435	45,911.00
Professional fees	110,000	213,800.00
Repair and maintenance	1,450,888	443,032.00
Travel and subsistence	688,837	330,514.00

Donation	25,000	40,000.00
Programmes	7,050,088	479,598.00
<b>Total</b>	<b>18,753,255.60</b>	<b>9,823,766</b>
<b>GC Expenses</b>		
Governing council allowances	1,250,000	229,000
Governing council expenses	1,008	19,565
<b>Total</b>	<b>1,251,008</b>	<b>248,565</b>
<b>TOTAL ADMINISTRATION EXPENSES</b>	<b>20,004,263.60</b>	<b>10,072,331.00</b>

## 6. Depreciation

	2014	2013
	KShs	KShs
Property, plant and equipment	622,309.00	243,793.00
<b>Total depreciation</b>	<b>622,309.00</b>	<b>243,793.00</b>

## 7. Cash and Cash Equivalents

	2014	2013
	Kshs	Kshs
Cash at bank	24,402,550.00	2,271,880.00
Cash in hand	<u>11,607.00</u>	<u>71,578.00</u>
	<u>24,414,157.00</u>	<u>2,343,458.00</u>

The bulk of the cash at bank was held at Barclays Bank of Kenya the KCC's main bankers.

## 8. Trade and other Receivables

note 25	2014	2013
	kshs	kshs
Receivables	6,026,730.40	5,413,490.00
Bins Nairobi Services		
Deposit	5,000.00	5,000.00
Total KPLC Deposits	5,000.00	5,000.00
Total Salary Advance	13,500.00	55,300.00
Staff Loan: Francis Luchiri	<u>1,320,196.00</u>	<u>1,320,196.00</u>
	<b><u>7,370,426.40</u></b>	<b><u>6,798,986.00</u></b>

**9. property, Plant and equipment**

2013	Freehold land	Buildings & civil works	Computers & related equipment	Office equipment, furniture & fittings	Total
<b>COST OR VALUATION</b>					
At July 1, 2013	120,000,000	80,000,000	367,040	4,063,215	204,430,255
Additions	-	-	498,000	2,172,342	2,670,342
<b>At June 30, 2013</b>	<b>120,000,000</b>	<b>80,000,000</b>	<b>865,040</b>	<b>6,235,557</b>	<b>207,100,597</b>
<b>DEPRECIATION</b>					
At July 1, 2013	-	-	257,684	2,684,737	2,942,421
Charge for the year	-	-	182,207	443,853	622,309
<b>At June 30, 2014</b>	<b>-</b>	<b>-</b>	<b>439,891</b>	<b>3,128,590</b>	<b>3,568,481</b>
<b>NET BOOK VALUE</b>					
<b>At June 30, 2014</b>	<b>120,000,000</b>	<b>80,000,000</b>	<b>425,149</b>	<b>3,106,967</b>	<b>203,535,867</b>

**10. Trade and other payables**

	2014 Kshs	2013 Kshs
Trade payables	69,442,889.00	67,009,149.00
Accrued expenses	-	-
Other payables	-	-
	<b><u>69,442,889.00</u></b>	<b><u>67,009,149.00</u></b>

**XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

**Guidance Notes:**

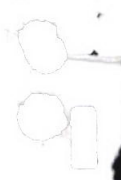
- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

**Executive Director**

Date.....24.12.2014.....

**Chairman of the Governing Council**

Date.....24.12.2014.....



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