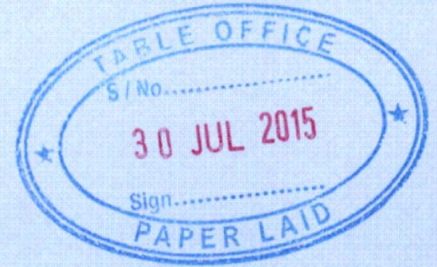


REPUBLIC OF KENYA



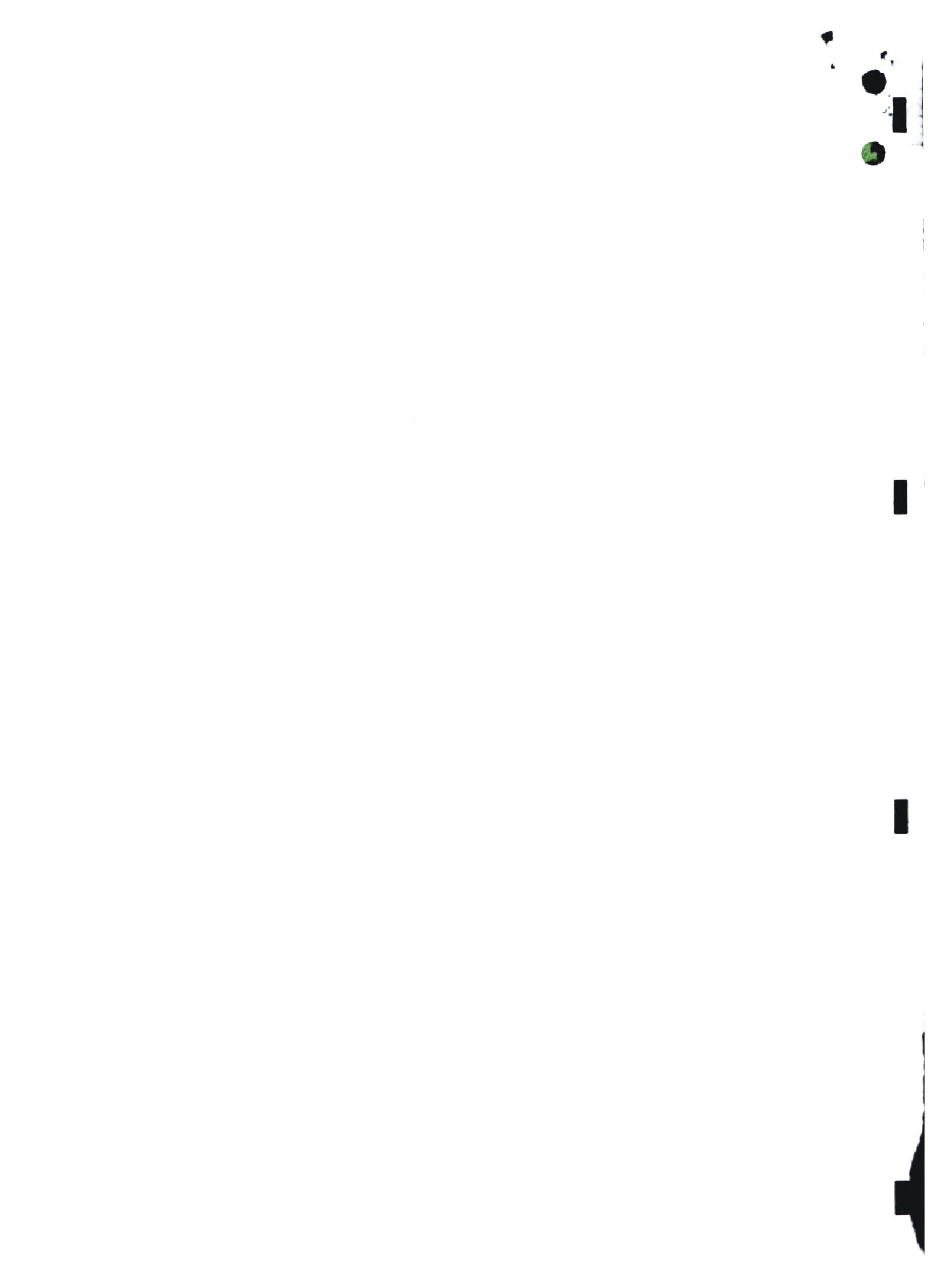
**KENYA NATIONAL AUDIT OFFICE**

*Paper Laid  
By Hon. A. Duabe (om)  
on Thursday, 30.07.2015 (pm)*



**REPORT  
OF  
THE AUDITOR-GENERAL  
ON  
THE FINANCIAL STATEMENTS OF  
KENYATTA INTERNATIONAL  
CONVENTION CENTRE**

**FOR THE YEAR ENDED  
30 JUNE 2014**



# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE AUDITOR-GENERAL ON KENYATTA INTERNATIONAL CONVENTION 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 Kenyatta International Convention Centre set out on pages 14 to 34, which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and reserves 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**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such 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.

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 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. 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 control 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 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 qualified audit opinion.

### **Basis for Qualified Opinion**

#### **1. Land**

Included in the property, plant and equipment balance of Kshs.2,778,173,000 as at 30 June 2014 is the value of land of Kshs.1 billion disclosed under Note 13 which 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 chief of staff and head of public service to cabinet secretary, Ministry of Lands, Housing and Urban Development clarified that the land in dispute is already gazetted as a monument as part of the Corporation. In addition, the cabinet secretary was directed to urgently issue ownership title to the Corporation.

In the circumstances, the correct value of land has not been disclosed in the financial statements as at 30 June 2014.

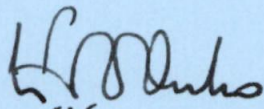
#### **2. Trade and Other Receivables**

The trade and other receivables balance of Kshs.364,423,000 as at 30 June 2014 includes an amount of Kshs.314,048,683 most of which is owed by various Government Ministries and Departments as well as Kenya National Assembly which owes Kshs.47,311,344. However, the Public Investments Committee has directed the management of the Corporation to aggressively pursue the ministries and departments to collect the debts.

The huge uncollected receivables put a strain on effective service delivery by the Centre to the public.

### **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 the Centre as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Tourism Act, 2011.



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

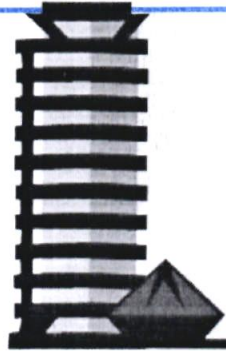
**Nairobi**

**12 May 2015**

KENYA NATIONAL AUDIT OFFICE  
P. O. Box 30084 - 00100, NAIROBI.

- 9 APR 2015

RECEIVED



The Kenyatta International  
Convention Centre

*Africa's Premier Meeting Venue*

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## 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 Financial Reporting Standards (IFRS)

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## **KEY ENTITY INFORMATION**

### **Background information**

The Kenyatta International Convention Centre (KICC) was established as a Corporation through the KICC order, 2004 contained in Kenya Gazette Supplement No. 45, Legislative Supplement No. 26 (Legal Notice No. 77) dated 9<sup>th</sup> July 2004.

### **Principal Activities**

The principal activities of the Corporation are to:

- a) Promote and market convention tourism both locally & internationally;
- b) Monitor the quality and standard of convention facilities and advise both private and public investors on improvement of such facilities;
- c) Plan and implement the expansion and modernization of existing convention facilities and develop new ones; and
- d) Carry out any other activities relevant to its principal mandate.

### **Directors**

For the Financial year 2013/14, the Centre operated without a Board of Directors.

### **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**

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

**THE BOARD OF DIRECTORS**

For the Financial year 2013/14, the Centre operated without a Board of Directors.

**MANAGEMENT TEAM**

1.	Mr. Fred Simiyu	Managing Director
2.	Mr. Mohammed Loo	General Manager Finance and Administration
3.	Ms. Beverly Simiyu	General Manager Marketing and Sales
4.	Mr. Joel Terer	General Manager Operations
5.	Ms. Maureen Chogo	Legal and Regulatory Affairs Manager
6.	Mr. Samuel Mwendia	Ag. ICT Manager
7.	Mr. Charles Makoko	Supply Chain Manager
8.	Ms. Rebecca Maitara	Ag. Security and Safety Manager
9.	Ms. Abigail Ayacko	Human Resources Manager
10.	Mr. Bernard Asoro	Sales Manager
11.	Mr. Humphrey Odendo	Corporate Planning Manager
12.	Mr. Patrick Ileri	Ag. Technical Services Manager
13.	Mr. Johnstone Omwando	Internal Audit Manager

14.	Mr. Elijah Korir	Ag. Customer Services Manager
15.	Mr. Fredrick Akhonya	Financial Controller

## **CHAIRMAN'S STATEMENT**

On behalf of the Board of Directors of the Kenyatta International Convention Centre (KICC), I am pleased to present to you a report on the performance of the Centre for the financial year ended June, 2014.

As you are aware, the centre changed its name from Kenyatta International Conference Centre to Kenyatta International Convention Centre through the Tourism Act of 2011. The change of name necessitated to align the centre with best Convention centre practices worldwide.

I wish to underscore the accomplishments of the Centre in a year that saw major economic improvements.

## **FINANCIAL RESULTS**

The centre made a profit before tax of Kshs.105.536 million. This was an increase of 1.712 million over the previous year's profit before tax of Kshs 103.824 million.

## **REVENUE**

Gross turnover was Kshs 817.55 million compared to Kshs 744.87 million in 2012/13. This was as a result of more utilization of the meeting rooms in 2013/14 as compared to 2012/13.

## **FUTURE OUTLOOK**

Product diversification will be a key growth driver and other opportunities are being explored. Possible acquisitions and/or management of other facilities is being reviewed and will be implemented where viable as part of enhancing shareholder value.

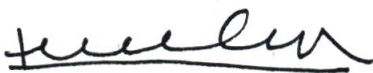
The company was recertified to ISO certification 9001:2008 by Global firm SGS. This underscores the capacity of the centre to adhere to high standards of processes in its operations.

## **APPRECIATION**

I wish to appreciate all our stakeholders; without you, there would be no KICC. I further wish to appreciate the Government of Kenya for continuously using our facilities, indeed the Government of Kenya is the biggest client to the centre. Indeed, I wish to reiterate that KICC remains committed to developing and facilitating the MICE industry as an economic pillar in Vision 2030 projects.

On behalf of the Board of the Directors of the KICC, I wish to express my unreserved appreciation to our members for their resolute support during 2013/14. My special thanks go to my fellow board members for their stewardship and to the management and staff for their commitment and dedication to delivering on the milestones laid out in the Centre's 2012 – 2017 Corporate Plan.

Thank you.



.....  
**Board Chairperson**

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

This is my first year as the Managing Director of the Kenyatta International Convention Centre and I am happy to announce that the Corporation has continued to register profitability and maintain better returns on investments.

The year 2013/14 saw the Tourism sector adversely affected by the following events, a) the numerous travel advisories and other security alerts issued by some foreign countries, b) the Jomo Kenyatta International Airport fire in August, c) the Westgate siege in September, d) the uncertain political environment in the country, e) the numerous grenade attacks especially at the Coast. But despite all this, the Corporation results were encouraging.

### **BUSINESS PERFORMANCE**

During the year under review, the Corporation achieved a turnover of Kshs 817.55 million (2012/13: Kshs'000. 744.87 million), an increase of 10% and achieved a Profit Before Tax of Kshs. 105.54 million (2012/13: Kshs. 103.82 million), a 2% growth.

Conference revenue went up 6.36 percent to Kshs.243.80 million, leased parking registered an increase of 28.06 percent increase to Kshs.99.49 million, Tower viewing was up by 52.36 percent to Kshs. 7.82 million, rent income was down by 6.61 percent to Kshs. 120.17 and other revenues (Hire of equipment, catering etc) recorded a 14.16 percent increase to Kshs.339.65 million from Kshs.297.51 million in 2012/13. With the improvement in turnover and increased level of activities at the centre, the cost of sales-third parties increased by Kshs.61.57 million. Overall, the administrative expenses increased by 4 percent to Kshs.9.3 million.

Profit after tax for the year was Kshs. 73.86 million despite pressure from third party costs, depreciation and establishment costs. The company closed the year with a strong working capital position attributable to prudent management of working capital.

### **EMPLOYEE RETENTION AND MOTIVATION**

The total staff establishment as at 30<sup>th</sup> June 2014 was 135 employees. Management of staff costs is a major initiative being undertaken.

The implementation of the Training Needs Analysis has enhanced employee morale Learning and Developmental programmes for staff took place to enhance core capabilities while ensuring that employees possess required skills required for effective performance.

The centre continues to offer welfare facilities and medical care to employees and eligible dependants to ensure a healthy and motivated human resource. We continue to actively participate in HIV/AIDs programs having increased awareness through staff training while ensuring wider communication to staff and dependants on same.

### **INFORMATION AND COMMUNICATIONS TECHNOLOGY**

ICT continued to collaborate with our business systems users in order to identify and exploit opportunities for utilizing technology solutions to solve business problems. Among the

projects completed in the period under review include: Enterprise Resource Planning (ERP) integrating Finance, Stores and Marketing departments, installation of the internal audit software, and completion of the Convention Management Systems phase 2 and Data Storage offsite backup.

**CONCLUSION AND FUTURE OUTLOOK**

The centre has developed a Strategic Plan for the period 2013-2017/8. The areas of focus will be to Increase the number of delegates attending international conferences from 35,663 in 2012 to 57,435 to 2017, increase the number of international conventions held in the country from 328 in 2012 to 528 in 2017, to develop a new convention centre in the coastal city of Mombasa and to implement the National Meetings, Incentives, Conventions and Exhibitions (MICE) strategy.

I wish to thank the Management and Staff of the KICC for dedicating their time and efforts to ensuring that the Centre achieved a very successful financial report for the period. On behalf of the Staff and Management of the Centre, I would like to thank the Ministry of East Africa Affairs, Commerce and Tourism for its leadership. My special recognition goes to all strategic partners for their continued support.



**Fred Simiyu**  
**Managing Director**

## **CORPORATE GOVERNANCE STATEMENT**

Corporate Governance is the process by which Corporations are directed, controlled and held to account. The Board of Directors are responsible for the long term strategic goals of the Corporation while being accountable to the shareholders for legal compliance and maintenance of the highest Corporate Governance and business ethics.

An independent Board manages the business of the Corporation. The Board is keen on reviewing the overall framework of the internal controls and the assessment of Management process and the adoption of the appropriate codes of ethics. It is also responsible for ensuring that the Corporation complies with the law and highest standards of Corporate and business ethics. The Board currently comprises of members drawn from public and private sectors.

We realize that corruption is a vice that we must constantly fight. The Corporation is committed to fighting this and other social vices in the work place. The corporation has adopted the government's zero tolerance approach to corruption and it has put in place mechanisms to control corruption. In this regard a corruption prevention committee has already been put in place and integrity assurance officers trained.

### **Committees of the Board of Directors**

There are three committees of the Board:

1. Finance, Staff and General Purposes Committee
2. Marketing and Projects Committee
3. Audit Committee

## **RISK MANAGEMENT**

The Corporation will continue to recognize risk Management as an integral part of the internal control systems. We will therefore continue to logically and systematically engage in the process of establishing, identifying, analyzing, evaluating and communicating risks associated with any activities, functions or processes in a way that enables the Corporation to minimize losses and maximize opportunities.

### **Operational Risk**

This is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation as well as lead to financial loss. The Corporation cannot expect to eliminate all operational risks, but can manage them through a control framework and by monitoring and responding to potential risks. The controls that the Corporation has put in place to minimize the potential risks include:

- a) Effective duty segregation,
- b) Staff education,
- c) Definition of authorization levels,
- d) Periodic risk assessment ,
- e) Use of internal audit; and
- f) Implementation of access controls.

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

The Corporation views CSR as being a fundamental part of the way it does business. The Corporation aims to make a positive contribution to the environment, financial and social well being of its customers, employees and the community in which it operates.

In 2013/14 it continued to support various charitable causes, in particular children's homes and also was co sponsors for this year's KCB safari rally.

This year the Corporation has earmarked Kshs.3 Million to establish beneficial relationships with local communities.

Over the coming years we intend to commit more time and resources to support the needy in our society based on our business performance.

## **REPORT OF THE DIRECTORS**

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

### **Principal activities**

The principal activities of the Corporation are to:

- a) Promote and market convention tourism both locally & internationally;
- b) Monitor the quality and standard of convention facilities and advise both private and public investors on improvement of such facilities;
- c) Plan and implement the expansion and modernization of existing convention facilities and develop new ones; and
- d) Carry out any other activities relevant to its principal mandate.

### **Results**

The results of the entity for the year ended June 30, 2014 are set out on page 14 to 31.

### **Dividends**

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

### **Directors**

In the period under consideration, the Centre did not have a Board of Directors.

### **Auditors**

The Auditor General is responsible for the statutory audit of the Corporation in accordance with the Section ... of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

### **By Order of the Board**

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

According to the Public Finance Management Act, 2012 and the State Corporations Act, require the Directors to prepare financial statements in respect of that Corporation, which give a true and fair view of the state of affairs of the Corporation at the end of the financial year/period and the operating results of the Corporation for that year/period. 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.

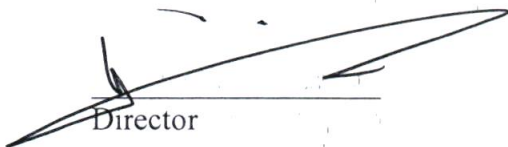
The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year (period) ended on June 30, 2013. This responsibility includes: (i) maintaining 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 the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2014, 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 Corporation's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the 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 Corporation's financial statements were approved by the Board on 30/9/ 2014 and signed on its behalf by:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**STATEMENT OF COMPREHENSIVE INCOME**

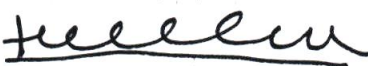
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2014**

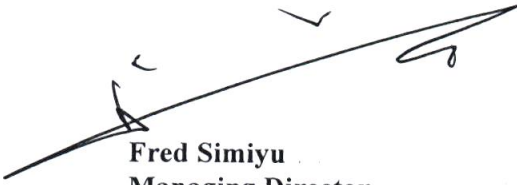
	Note	2014 Kshs'000	2013 Kshs'000
<b>REVENUES</b>			
Sales	5	477,903	447,359
Grants from National Government	6	35,875	-
Other Income	7	291,727	284,512
		<u>805,505</u>	<u>731,871</u>
<b>OPERATING EXPENSES</b>			
Administration Costs	8	408,034	355,090
Selling and Distribution Costs	9	252,923	221,072
Depreciation of property, plant and equipment	13	51,060	64,881
		<u>712,017</u>	<u>641,043</u>
<b>OPERATING PROFIT/(LOSS)</b>		<b>93,488</b>	<b>90,828</b>
Finance Income	11	12,047	12,996
Finance Costs	11	-	-
		<u>105,535</u>	<u>103,824</u>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>105,535</b>	<b>103,824</b>
<b>INCOME TAX EXPENSE/(CREDIT)</b>	<b>12</b>	<b>31,661</b>	<b>31,147</b>
		<u>73,874</u>	<u>72,677</u>
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>73,874</b>	<b>72,677</b>
		=====	=====

## STATEMENT OF FINANCIAL POSITION

AS AT 30<sup>TH</sup> JUNE, 2014

	Note	2014 Kshs'000	2013 Kshs'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	13	2,778,173	2,584,396
Intangible assets	14	6,965	6,571
Staff receivables due after one year	16	21,450	-
<b>Total Non-Current Assets</b>		<b>2,806,588</b>	<b>2,590,967</b>
<b>Current Assets</b>			
Trade and other receivables	15	364,323	427,282
Short-term deposits	18	265,921	312,236
Cash and bank balances	19	59,365	107,800
Staff receivables due within one year	16	2,764	1,055
<b>Total Current Assets</b>		<b>692,373</b>	<b>848,373</b>
<b>Total Assets</b>		<b>3,498,961</b>	<b>3,439,340</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	20	2,902,346	2,902,346
Retained earnings	22	261,808	187,934
<b>Capital and Reserves</b>		<b>3,164,154</b>	<b>3,090,280</b>
<b>Non-Current Liabilities</b>			
Tax Recoverable	17	62,808	58,965
<b>Total Non-Current Liabilities</b>		<b>62,808</b>	<b>58,965</b>
<b>Current Liabilities</b>			
Trade and other payables	22	271,999	290,095
Retirement benefit obligations	23	-	-
<b>Total Current Liabilities</b>		<b>271,999</b>	<b>290,095</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,498,961</b>	<b>3,439,340</b>

  
**Dr. Ibrahim Mohamed**  
**Principal Secretary**

  
**Fred Simiyu**  
**Managing Director**

**STATEMENT OF CHANGES IN EQUITY AND RESERVES**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2014.**

	Shareholders Loans and Grants	Revenue Reserves Restated	Total Restated
	Kshs'000.	Kshs'000.	Kshs'000.
<b>Year Ended 30 June 2013</b>			
At 1 July, 2012	2,805,798	115,256	2,921,054
As Restated	24,548	-	24,548
Net Profit/(Loss) for the year	-	72,677	72,677
Grants 2012-13	72,000	-	72,000
<b>At 30 June, 2013</b>	<b>2,902,346</b>	<b>187,933</b>	<b>3,090,279</b>
<b>Year Ended 30 June 2014</b>			
At 1 July, 2013	2,902,346	187,933	3,090,279
As Restated	-	-	-
Net profit/(loss) for the year	-	73,875	73,875
Grants - 2013-14	-	-	-
<b>At 30 June 2014</b>	<b>2,902,346</b>	<b>261,808</b>	<b>3,164,154</b>

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2014.**

	Note	2014 Kshs'000	2013 Kshs'000
<b>OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	24	150,482	133,323
<b>Net cash generated from/(used in) operating activities</b>		<u><b>150,482</b></u>	<u><b>133,323</b></u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	13/14	(207,226)	(81,847)
Work In Progress	13	(38,005)	(35,958)
<b>Net cash generated from/(used in) investing activities</b>		<u><b>(245,231)</b></u>	<u><b>(117,832)</b></u>
<b>FINANCING ACTIVITIES</b>			
Receipts - Grants		-	72,000
Shareholders' funds - pending bills		-	2,179
<b>Net cash generated from/(used in) financing activities</b>		<u><b>-</b></u>	<u><b>74,179</b></u>
<b>INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u><b>(94,749)</b></u>	<u><b>89,671</b></u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>420,035</b>	<b>330,364</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<u><u><b>325,286</b></u></u>	<u><u><b>420,035</b></u></u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE, 2014.

### 1. GENERAL INFORMATION

The organisation was established as a Corporation through the KICC order, 2004 contained in Kenya Gazette Supplement No. 45, Legislative Supplement No. 26 (Legal Notice No. 77) dated 9th July 2004 and is domiciled in Kenya.

### 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.

#### Changes in accounting policy and disclosures

##### i) New and amended standards adopted by the Corporation.

The following standards have been adopted by the Corporation for the first time for the financial year beginning on or after 1st July 2013, none of them have a material impact on the corporation:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

Amendments to IFRS 7, 'Financial instruments: Disclosures' on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between

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

**a. Statement of compliance and basis of preparation (continued)**

**i) New and amended standards adopted by the Corporation (continued)**

those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

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).

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.

**ii) 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

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

a. **Statement of compliance and basis of preparation (continued)**

i) **New and amended standards adopted by the Corporation (continued)**

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 2017 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.
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.
- ii) **Grants from National Government** are recognised in the year in which the Corporation actually receives such grants.

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

**b. Revenue recognition (continued)**

- 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-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 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**

Buildings and civil works	0 %
Furniture	12.5 %
Others	12.5 %
Carpets	12.5 %
Office equipment	30 %

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

**d. Depreciation (continued)**

Motor Vehicles	25 %
CCTV Cameras	30%
Software's	33.33%
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.

**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. 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. 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.

**i. 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****j. 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.

**k. 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.

**l. 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.

**m. Retirement benefit obligations**

The entity operates a defined contribution scheme for all full-time employees from July 1, 2013. The scheme is administered by an in-house team 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.

**n. 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.

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

**o. 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.

**p. Comparative figures**

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

**q. 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.

**r. Provision for employee entitlement-Staff leave pay**

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

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.

- i) 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

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

#### Income taxes (continued)

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

#### Introduction and overview

The Corporation's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risks is paramount to the Corporation's business, and the operational risks are an inevitable consequence of being in business. The Corporation's aim is therefore to achieve a balance between risk and return and minimize potential adverse effects on its financial performances.

#### i) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty will default on its contractual obligations resulting in financial loss to the Corporation.

Management of Credit risks.

The responsibility for credit control management lies to the Financial Controller in conjunction with the credit committee and role includes;

- Formulating credit policies in consultation with the Marketing department, covering credit assessment, risk assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
- Establishing the authorisation levels for the approval and renewal of credit facilities. Authorisation limits are allocated to the financial controller. Larger facilities require approval the Managing Director.

#### 4. FINANCIAL RISK MANAGEMENT (continued)

- Reviewing and assessing credit risk by the credit committee for all credit exposures in excess of designated limits, prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process.
- Providing advice, guidelines and specialist skills to the corporation to promote best practice throughout the corporation in the management of credit risk.

##### ii) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations from its financial liabilities.

##### Management of liquidity risk

The Corporation's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Corporation reputation.

##### ii) Market risk

###### (i) Foreign exchange risk

The Corporation operates wholly within Kenya but has international customers who pay in various currencies primarily the US dollar. Foreign exchange risk arises from future commercial transactions, i.e. international clients making present payments for future events.

The Corporation aims to minimise volatility arising from fluctuations in exchange rates risk by converting its foreign currency collections into local currency on an ongoing basis to cater for its operational requirements as a result, the Corporation does not hold large amounts of foreign currency deposits.

###### iv) Price risk

The Corporation does not have any assets subject to price risk as at 30th June, 2014.

**NOTES TO THE FINANCIAL STATEMENTS**

	2014 Kshs'000	2013 Kshs'000
<b>5 SALES</b>		
Conference	243,799	229,214
Rent	120,167	128,669
Leased Parking	99,487	77,688
Casual Parking	6,627	6,653
Tower viewing	7,823	5,135
	<u>477,903</u>	<u>447,359</u>
	=====	=====
<b>6 GRANTS FROM NATIONAL GOVERNMENT</b>		
Recurrent grants received	35,875	-
Capital grants received	-	72,000
	<u>35,875</u>	<u>72,000</u>
	=====	=====
<b>7 OTHER INCOME</b>		
Catering	136,015	156,007
Gain on FOREX	-	2,948
Hire of Equipment	152,561	125,335
Other miscellaneous receipts	3,151	222
	<u>291,727</u>	<u>284,512</u>
	=====	=====
<b>8(a) ADMINISTRATION COSTS</b>		
Directors' emoluments	-	884
Electricity and water	62,207	62,108
Communication services and supplies	2,369	2,864
Transportation, travelling and subsistence	7,176	4,867
Advertising, printing, stationery and photocopying	3,323	3,998
Staff training expenses	22,335	-
Hospitality supplies and services	14,457	22,433
Insurance costs	28,643	22,886
Bank charges and commissions	547	502
Auditors' remuneration	400	400
Consultancy fees	18,525	15,106
Repairs and maintenance	66,873	46,155
Other operating expenses	46,107	38,618
	<u>272,962</u>	<u>220,821</u>
	=====	=====

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

	2014 Kshs'000	2013 Kshs'000
<b>8(b) STAFF COSTS</b>		
Salaries and allowances of permanent employees	133,548	133,962
Wages of temporary employees	1,524	307
	<u>135,072</u>	<u>134,269</u>
	=====	=====
<b>The average number of employees at the end of the year was:</b>		
Permanent employees – Management	129	128
	<u>129</u>	<u>128</u>
	=====	=====
<b>9 SELLING AND DISTRIBUTION COSTS</b>		
Marketing and promotional expenses	252,923	221,072
	<u>252,923</u>	<u>221,072</u>
	=====	=====
<b>10 OPERATING PROFIT/ (LOSS)</b>		
The operating profit/ (loss) is arrived at after charging/(crediting):		
Staff costs (note 9)	252,923	221,072
Depreciation of property, plant and equipment	47,578	64,881
Amortisation of intangible assets	3,482	3,285
Directors' emoluments - fees	-	-
- Other	-	884
Auditors' remuneration - current year fees	400	400
- Prior year under-provision	-	-
Interest receivable	(15,198)	(12,996)
<b>11 FINANCE INCOME</b>		
Interest income on short-term bank deposits	12,047	12,996
	<u>12,047</u>	<u>12,996</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%	31,661	31,147
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
	<u>31,661</u>	<u>31,147</u>
	=====	=====

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

	2014 Kshs'000	2013 Kshs'000
<b>(b) Reconciliation of tax expense/(credit) to the expected tax based on accounting profit</b>		
Profit before taxation	105,536	103,824
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Tax at the applicable tax rate of 30%	31,661	31,147
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	<u>31,661</u>	<u>31,147</u>
	<u>=====</u>	<u>=====</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land Kshs. '000'	Buildings & civil works Kshs. '000'	Furniture Kshs. '000'	Others Kshs. '000'	Carpets Kshs. '000'	Office equipment Kshs. '000'	Motor vehicle Kshs. '000'	CCTV Kshs. '000'	Plant & equipment Kshs. '000'	Communication Equipment Kshs. '000'	Capital work in progress Kshs. '000'	Total Kshs. '000'
<b>2013/14</b>												
<b>COST OR VALUATION</b>												
At July 1, 2013	1,000,000	1,571,048	128,914	5,879	17,075	45,945	16,335	37,045	74,556	48,285	95,694	2,945,083
Additions	-	36,027	5,022	969	19,176	1,035	-	-	-	141,121	38,005	241,355
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
<b>At June 30, 2013</b>	<b>1,000,000</b>	<b>1,607,075</b>	<b>133,935</b>	<b>6,849</b>	<b>36,252</b>	<b>46,980</b>	<b>16,335</b>	<b>37,045</b>	<b>74,556</b>	<b>189,406</b>	<b>133,699</b>	<b>3,186,438</b>
<b>DEPRECIATION</b>												
At July 1, 2013	-	260,953	73,557	2,551	6,335	30,042	12,394	32,015	20,034	18,499	-	456,381
Charge for the year	-	-	7,547	537	3,740	5,081	985	1,509	6,815	21,363	-	47,578
Impairment loss	-	-	-	-	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-	-	-	-	-	-
<b>At June 30, 2013</b>	<b>-</b>	<b>260,953</b>	<b>81,104</b>	<b>3,088</b>	<b>10,075</b>	<b>35,123</b>	<b>13,380</b>	<b>33,524</b>	<b>26,849</b>	<b>39,863</b>	<b>-</b>	<b>503,959</b>
<b>NET BOOK VALUE</b>												
At June 30, 2014	1,000,000	1,346,122	52,831	3,760	26,177	11,856	2,956	3,521	47,707	149,544	133,699	2,778,173
At June 30, 2013	1,000,000	1,310,095	55,357	3,328	10,740	15,902	3,941	5,030	6,571	54,522	29,786	2,495,273

**THE KENYATTA INTERNATIONAL CONVENTION CENTRE**

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

	2014 Kshs'000	2013 Kshs'000
<b>14 INTANGIBLE ASSETS</b>		
<b>COST</b>		
At July 1	21,378	17,783
Additions	3,877	3,594
Disposals	-	-
At June 30	<u>25,254</u>	<u>21,377</u>
<b>AMORTISATION</b>		
At July 1	14,807	11,522
Charge for the year	3,482	3,285
Disposals	-	-
Impairment loss	-	-
At June 30	<u>18,289</u>	<u>14,807</u>
<b>NET BOOK VALUE</b>		
At June 30	<u>6,965</u>	<u>6,570</u>
<b>15 TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	358,603	417,377
Deposits and prepayments	4,400	9,506
Receipt Control Account	1,320	399
Gross trade and other receivables	<u>364,323</u>	<u>427,282</u>
Net trade and other receivables	<u>364,323</u>	<u>427,282</u>
<b>16 STAFF RECEIVABLES</b>		
Gross car loans advances	21,450	-
Gross staff salary advances	2,764	1,055
	<u>24,214</u>	<u>1,055</u>



**THE KENYATTA INTERNATIONAL CONVENTION CENTRE**

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

**17 TAX RECOVERABLE**

At beginning of the year  
Income tax charge for the year  
Income tax paid during the year  
At end of the year

2014 Kshs'000	2013 Kshs'000
58,964	57,117
31,661	31,147
(27,817)	(29,300)
<u>62,808</u>	<u>58,964</u>

**18 SHORT TERM DEPOSITS**

Cooperative Bank of Kenya  
Kenya Commercial Bank

58,964	57,117
31,661	31,147
(27,817)	(29,300)
<u>62,808</u>	<u>58,964</u>

**19 BANK AND CASH BALANCES**

Cash at bank  
Cash in hand

101,821	204,100
164,100	108,136
<u>265,921</u>	<u>312,236</u>

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

**20 ORDINARY SHARE CAPITAL**

Shareholder's Equity

59,362	107,790
3	10
<u>59,365</u>	<u>107,800</u>

The Corporation is a Parastatal wholly (100%) owned by the Government of Kenya through the Ministry of East Africa, Commerce and Tourism; there are no other companies which are related to the Corporation.

<b>Kshs.</b> '000'	<b>Kshs.</b> '000'
2,902,346	2,902,346
<u>2,902,346</u>	<u>2,902,346</u>

**21 RELATED PARTY TRANSACTIONS**

The Corporation is wholly owned and controlled by the Government of Kenya through the Ministry of East Africa, Commerce and 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

<b>Kshs. "000"</b>	<b>Kshs."000"</b>
135,072	134,269



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

	2014 Kshs'000	2013 Kshs'000
<b>22 RETAINED EARNINGS</b>		
The retained earnings represent amounts utilised to finance the Corporation's business activities.		
<b>22 TRADE AND OTHER PAYABLES</b>		
Trade payables	197,649	196,516
Other payables	74,350	93,578
	<u>271,999</u>	<u>290,094</u>
	=====	=====

**23 RETIREMENT BENEFIT OBLIGATIONS**

The Corporation operates a defined contribution scheme for all full-time employees from July 1, 2013. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The balance of the defined contribution scheme is as analysed below.

	Kshs.'000	Kshs.'000
Balance at beginning of the year	31,647	21,520
Company contributions during the year	4,747	4,848
Employee's contributions during the year	3,166	2,928
Interest earned on investment of contributions	4,206	2,636
Paid out during the year	(1,485)	(285)
	<u>42,281</u>	<u>31,647</u>
	=====	=====

The Corporation also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Corporation's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at .Kshs 200 per employee

**24 Notes to the Statement of Cashflows**

**(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations**

	Kshs. '000'	Kshs. '000'
Operating profit/(loss)	105,536	103,824
Depreciation	51,060	64,881
Charge for Provisions		9,857
	<u>156,596</u>	<u>178,562</u>
Operating profit/(loss) before working capital changes		
(Increase)/decrease in trade and other receivables	62,959	(128,495)
Increase/(decrease) in trade and other payables	(18,097)	83,256
Increase/(decrease) in staff advances	(23,159)	-
Increase/(decrease) in Tax paid	(27,817)	-
	<u>150,482</u>	<u>133,323</u>
<b>Cash generated from/(used in) operations</b>	<b>150,482</b>	<b>133,323</b>



**THE KENYATTA INTERNATIONAL CONVENTION CENTRE**

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

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

	2014 Kshs '000	2013 Kshs '000
Short term deposits		
Cash at bank		
Balance at end of the year	265,921	312,236
	59,365	107,800
	325,286	420,036
	=====	=====

**25 RELATED PARTY DISCLOSURES**

**(a) Government of Kenya**

The Government of Kenya is the principal shareholder of the Corporation, holding 100% of the Corporation's equity interest.

There were no other Corporation transactions involving the Government of Kenya.

**(b) Employees**

The Corporation provides certain qualifying employees with car loans on terms more favourable than available in the market. The benefit obtained by staff is subjected to income tax as required under the Kenya Income Tax Act.

**26 CAPITAL COMMITMENTS**

Amounts authorised and contracted for  
Less: Amounts incurred and included in work-in-progress

	Kshs. '000'	Kshs. '000'
	241,355	177,541,
	(38,005)	(95,694)
	203,350	81,847
	=====	=====

