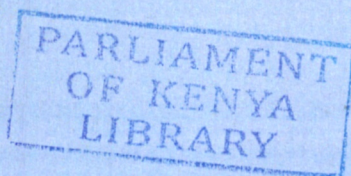


REPUBLIC OF KENYA



Paper Laid
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at the Table of the House

OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA INSTITUTE OF SUPPLIES
MANAGEMENT**

**FOR THE YEAR
ENDED 31 DECEMBER 2016**

X

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA INSTITUTE OF SUPPLIES
MANAGEMENT**

**FOR THE YEAR
ENDED 31 DECEMBER 2016**



Kenya Institute of Supplies Management

Promoting Professionalism in Supply Chain Management

**AUDITED ANNUAL REPORTS &
FINANCIAL STATEMENTS**

YEAR ENDED 31ST DECEMBER 2016



Kenya Institute of Supplies Management

**Annual Report & Financial Statements
For the Period ended 31st December 2016**

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Kenya Institute of Supplies Management

Annual Report & Financial Statements For the Period ended 31st December 2016

CORPORATE INFORMATION

Council Members

- : Eng. Chris Oanda Chairman
- : Francis Murabula Council Member
- : Joseph Fidelis Ogachi Council Member
- : Dickson Mutuku Mwenze Council Member
- : Jeremiah Charles Ogola Council Member
- : Joyce Nyanamba Council Member
- : Florence Oile Council Member
- : Principal Secretary Ministry of Finance & National Treasury
- : Director General PPOA

Structure of the Institute

- : The KISM Council
- Committees of the Council**
- : Finance & Administration Committee
- : Standards Committee
- : Audit Committee
- : Registration Committee

Registered Office

- : Nation Center 12th Floor Wing "B"
- : Kimathi Street
- : P.O Box 30400 - 00100
- : Cellphone: 0721 244828, 0733 333226, 0701 333226
- : Telefax: 2213911
- : NAIROBI
- : Email admin@kism.or.ke
- : Website. www.kism.or.ke

Principal Banker

- : Standard Chartered Bank
- : Westlands Branch
- : Woodvale Groove
- : P.O. Box 14438-00800
- : Tel: 4443018/2/20, 4448956
- : NAIROBI

Legal Advisor

- : Akunga Momanyi & Co Advocates
- : P.O Box 10324-00100-G.P.O
- : NAIROBI
- : Cell: 0722-992979/0722-988205/0733873300
- : E-Mail: akungamomanyi@yahoo.com



Kenya Institute of Supplies Management

Annual Report & Financial Statements For the Period ended 31st December 2016

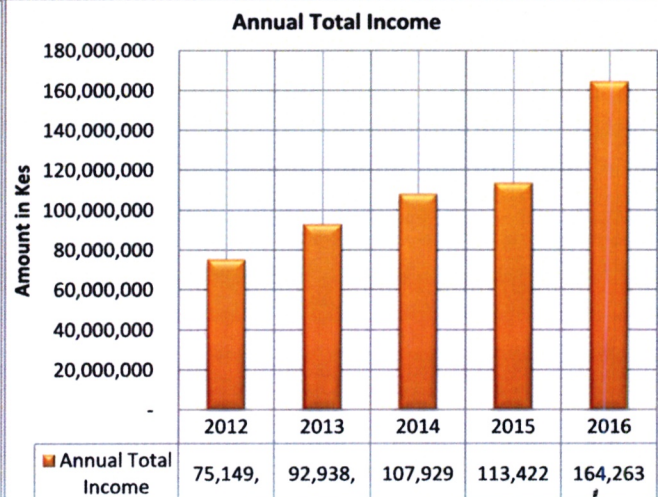
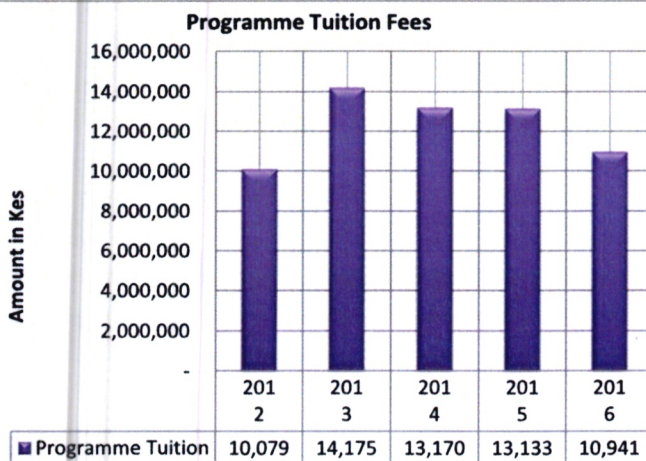
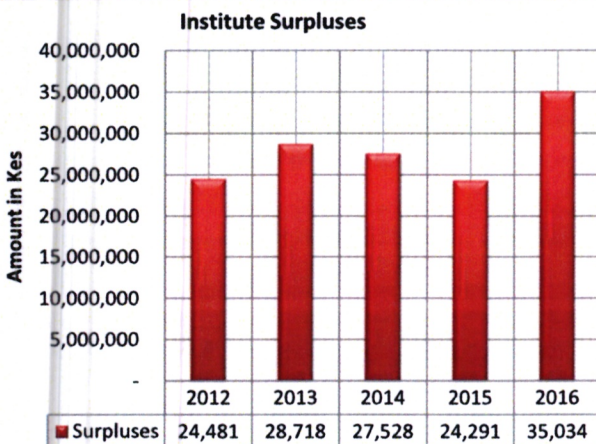
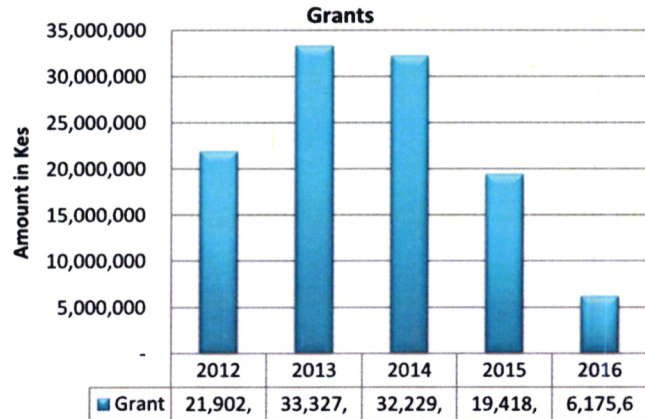
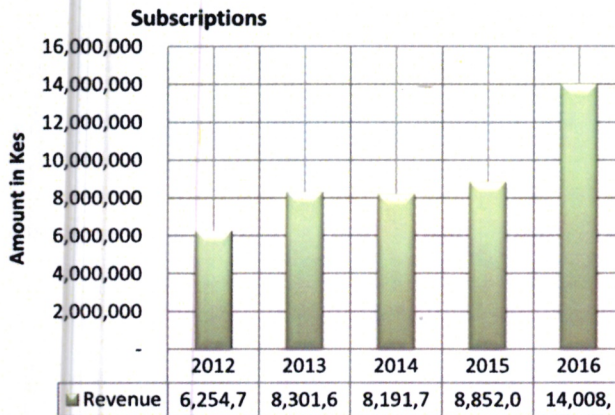
FIVE YEAR FINANCIAL REVIEW

YEAR	2012 Kshs	2013 Kshs	2014 Kshs	2015 Kshs	2016 Kshs
<i>Income</i>					
Grant from Partners	21,902,282	33,327,045	32,229,245	19,418,435	6,175,632
Membership Subscriptions	6,254,750	8,301,650	8,191,750	8,852,000	14,008,500
Workshop receipts	27,481,180	28,471,564	43,778,523	61,346,910	121,335,400
Membership Dinner	1,090,700	1,365,750	1,644,000	1,345,500	995,800
Programme Tuition Fees	10,079,000	14,175,945	13,170,900	13,133,100	10,941,500
Other Income	8,341,521	7,296,659	8,915,168	9,326,682	10,806,425
Total Income	75,149,433	92,938,613	107,929,586	113,422,627	164,263,257
<i>Expenses</i>					
Administrative Expenses	26,381,637	34,003,006	48,513,129	55,912,297	57,591,106
Operating Expenses	24,286,294	30,217,533	31,887,627	33,218,333	71,638,112
Operating Surplus/(Deficit)	24,481,501	28,718,074	27,528,829	24,291,996	35,034,039



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2016

Performance Highlights





Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2016

COUNCIL REPORT

The Council submit their report and the audited financial statements For the Period ended 31st December 2016 which disclose the state of affairs of the Institute.

INCORPORATION

The Institute is a body corporate established under Part II Section 3 (1) of the Supplies Practitioners Management Act 2007 No. 17 and is domiciled in Kenya

PRINCIPAL ACTIVITIES

The principal activity of the Institute is to empower its members to provide and maintain high standards of procurement and supply chain management professionalism through regulating conduct of practitioners, educational programs, seminars and workshops

RESULTS

The result of the Institute for the year are shown on page number 6 and 13

MANAGEMENT

The Council members who held office during the year are shown on page 1

BY ORDER OF THE COUNCIL


.....
ENG. CHRIS OANDA, CHAIRMAN.



Kenya Institute of Supplies Management

**Annual Report & Financial Statements
For the Period ended 31st December 2016**

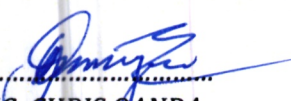
STATEMENTS OF COUNCIL'S RESPONSIBILITY

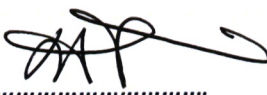
The Supplies Practitioners Management Act 2007 No. 17 Part V Section 28 (2) requires the Council to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Institute as at the end of the financial year and of the operating results of the Institute for that year.

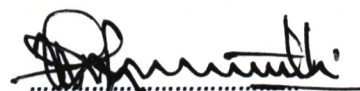
The Council accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Supplies Practitioner Management Act. The Council are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Institute and of its operating results. The Council further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial as well as adequate systems of internal financial control.

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

Approved by the Council on 2018 and signed on behalf by:


.....
ENG. CHRIS OANDA
CHAIRMAN
ENG. CHRIS OANDA


.....
FRANCIS MURABULA
COUNCIL MEMBER


.....
DICKSON MWENZE
COUNCIL MEMBER

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA INSTITUTE OF SUPPLIES MANAGEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Institute of Supplies Management set out on pages 7 to 25, which comprise the statement of financial position as at 31 December 2016, and the statement of income and expenditure, statement of changes in reserves, 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 and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Institute of Supplies Management as at 31 December, 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Supplies Practitioners Management Act, 2007 of the Laws of Kenya.

In addition, as required by Article 229(6) of the Constitution, I confirm that, subject to audit procedures performed, nothing has come to my attention that indicates that public money has not been applied lawfully and in an effective way.

Basis for Opinion

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

Key Audit Matter

Key audit matters are those matters that in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Other Matter section of my report, based on the procedures performed, I have determined that there were no Key Audit Matters to communicate in my report.

Report of the Auditor-General on the Financial Statements of Kenya Institute of Supplies Management for the year ended 31 December 2016

Other Matter

1. Weak Internal Controls

In the year under review, the internal control environment of the Institute was weak and not adequate to manage the available resources of the institute effectively: There was no segregation of duties in the finance department as the finance manager prepared p, authorized and paid payment vouchers contrary to good internal control practice. Further, the entity does not have an internal auditor. Therefore internal checks and controls are weak and this could lead to misappropriation of public resources.

2. Bank Reconciliation

The Institute does not prepare monthly bank reconciliation statements as prudent financial management practice requires. This could lead to mismanagement of cash through under or over statement of bank balances in the financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern status of the Institute and applying the going concern accounting assumption unless the Institute is expected to be liquidated or its operations are expected to cease.

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

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Institute.
- Conclude on the appropriateness of the Institute's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate financial

statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

17 April 2018



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2016

STATEMENT OF COMPREHENSIVE INCOME For the Period ended 31st December 2016

	Notes	Kshs 2016			Kshs 2015		
		KISM	GoK & Other Partners	Totals	KISM	GoK & Other Partners	Totals
Income		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Grants from Partners	6	-	6,175,632	6,175,632	-	19,418,435	19,418,435
Membership Subscriptions	7	15,004,300	-	15,004,300	10,197,500	-	10,197,500
Workshop receipts	8	121,335,400	-	121,335,400	61,346,910	-	61,346,910
School Fees	9	10,941,500	-	10,941,500	13,133,100	-	13,133,100
Share of income from KISEB	10	3,206,370	-	3,206,370	1,018,838	-	1,018,838
Other Income	11	7,600,055	-	7,600,055	8,307,845	-	8,307,845
Total Income		158,087,625	6,175,632	164,263,257	94,004,192	19,418,435	113,422,627
Expenditure							
Staff Costs	12	23,289,347	-	23,289,347	13,616,947	6,429,684	20,046,630
Council Expenses	13	4,026,431	-	4,026,431	4,530,571	1,627,000	6,157,571
Administrative Expenses	14	25,575,787	4,699,541	30,275,328	17,141,173	6,383,951	29,708,095
Operating Expenses	15	68,983,608	-	68,983,608	27,114,113	2,736,109	29,850,222
Depreciation	16	1,178,413	1,476,091	2,654,504	1,126,420	2,241,691	3,368,111
Operating Surplus(Deficit) Before Finance cost		35,034,039	-	35,034,039	30,474,968	(0)	24,291,996
Operating Surplus/(deficit) after Finance Costs		35,034,039	-	35,034,039	30,236,867	0	30,236,867
Taxable Surplus	28	5,881,869	-	5,881,869	6,906,267	-	6,906,267
Tax Liability	28	1,764,561	-	1,764,561	2,071,880	-	2,071,880
Surplus / (Deficit) after tax		33,269,478	-	33,269,478	28,164,987	0	28,164,987

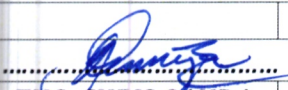
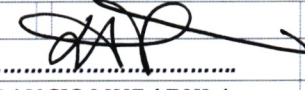
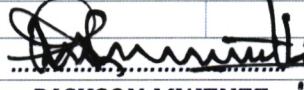


Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2016

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2016

	Notes	2016 Kshs	2015 Kshs
Non-Current Assets			
Property plant and Equipment	17	131,206,944	132,958,532
Intangible Assets	18	1,774,246	2,697,349
Total Non-Current Assets		132,981,189	135,655,881
Current Assets			
Bank & Cash	19	225,785,958	145,779,441
Debtors & Prepayment	20	39,833,962	24,379,557
Total Current Assets		265,619,920	170,158,997
Current Liabilities			
Gok Grant (Advance)	21	74,743,490	30,660,736
Bank Balance due to KISEB	22	3,807,713	3,461,000
Creditors & Accruals	23	25,381,711	7,077,865
Deffered Subscriptions		-	1,541,000
School Fees Prepayments	24	2,898,636	2,831,551
Workshop Refunds	25	682,581	467,101
Total Current Liabilities		107,514,132	46,039,252
Net Current Assets		158,105,788	124,119,745
Net Capital Employed		291,086,978	259,775,626
Accumulated Funds			
Retained Earnings		179,541,066	146,271,588
Accumulated Funds		179,541,066	146,271,588
Asset Grant	26	111,545,912	113,504,038
Total Funds		291,086,978	259,775,626
Current & Quick ratio		2.47	3.70

Financial Statements on pages 7 to 26 were approved for issue by the Council on
 2018, and were signed on behalf by;

		
ENG. CHRIS OANDA CHAIRMAN	FRANCIS MURABULA COUNCIL MEMBER	DICKSON MWENZE COUNCIL MEMBER



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2016

STATEMENT OF CHANGES IN NET ASSETS AS AT 31ST DECEMBER 2016

	KISM General Fund	Professional Development Fund	Total
	KSHS	KSHS	KSHS
As at 1st January 2015	117,502,234	-	117,087,763
Total Comprehensive Income for the year	28,164,987	-	28,164,987
Transfer of share of fees	-	1,018,838	1,018,838
Other surplus from other activities			-
As at 31st December 2015	145,667,221	1,018,838	146,271,588
As at 1st January 2016	145,667,221	1,018,838	146,271,588
Total Comprehensive Income for the year	30,063,108	-	30,063,108
Transfer of share of fees	-	3,206,370	3,206,370
Other surplus from other activities			-
As at 31st December 2016	175,730,329	4,225,208	179,541,066



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2016

CONSOLIDATED STATEMENT OF CASHFLOW For the Period ended 31st Dec. 2016

	2016	2015
	Kshs	Kshs
Cash Generated from Operations		
Reconciliation of Surplus(deficit) before tax to cash generated from operations;		
Surplus(deficit) before tax	35,034,039	30,236,867
Add Non Cash Adjustments		
Depreciation	2,063,089	1,342,575
Amortisation	591,415	899,116
Cashflow before Changes in Working capital	37,688,543	32,478,558
Changes in Working Capital		
(Increase)/ Decrease in Receivables	(25,355,327)	(548,672)
Increase/(Decrease) in Creditors	17,918,847	(2,950,114)
Increase in Prepaid School fees	67,085	(2,459,929)
Increase/(Decrease) in Deffered Subscription	-	(80,318)
(Increase)/ Decrease in Deposits	(56,973)	(744,805)
(Increase)/ Decrease in VAT Claimable	(1,520,707)	(860,270)
Increase /(Decrease) in Refunds	215,480	-
Tax Paid	(2,819,090)	(2,337,647)
Net Cash from/(used in) Operating Activities	(11,550,685)	(9,981,755)
		0.00
Investing Activities		
Purchase of Property, Plant and Equipment	(1,131,340)	(29,838,488)
Net Cash from/(used in) Investing Activities	(1,131,340)	(29,838,488)
Financing Activities		
Increase/(Decrease) in Grants	55,000,000	25,000,000
Net Cash from/(used in) in Financing Activities	55,000,000	25,000,000
As at 1st January	145,779,441	128,121,126
Increase/(Decrease) in cash and Cash Equivalents	80,006,517	17,658,315
As at 31st December	225,785,958	145,779,441



Kenya Institute of Supplies Management

Annual Report & Financial Statements For the Period ended 31st December 2016

Notes to the Financial Statements

1 Accounting Policies

The Kenya Institute of Supplies Management is a membership institution established by the Supplies Practitioners Management Act, 2007 as a statutory body charged with the mandate of entrenching professional ethics in Supply chain and Procurement.

2 Statement of Compliance

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRSs). The financial statements are presented in functional currency, Kenya shillings (Kshs.), which is the prevailing currency within primary economic environment, rounded to the nearest thousands and prepared in accordance with the measurement bases prescribed by IFRSs.

The preparation of financial statement is in conformity with IFRS which requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Institute's policies.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

3 Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of these general purpose financial statements are set out below:

a) Basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS). The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand, which is also the functional currency (see (d) below).

The financial statements comprise a profit and loss account (statement of comprehensive income), balance sheet (statement of financial position), statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit and loss account. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expense (including reclassification adjustments) that are not recognised in the profit and loss account as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to the profit and loss account in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the Institute in their capacity as owners are recognised in the statement of changes in equity.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the accounting policies adopted by the Institute. Although such estimates and assumptions are based on the directors' best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revisions are made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in Note 2.

b) Accounting for associates

Associate: an entity in which an investor has significant influence but not control or joint control. IAS 28 applies to all investments in which an investor has significant influence but not control or joint control except for investments held by a venture capital organisation, mutual fund, unit trust, and similar entity that are designated under IAS 39 to be at fair value with fair value changes recognised in profit or loss. [IAS 28.1]

In its consolidated financial statements, an investor should use the equity method of accounting for investments in associates. Under IAS 39, those investments are measured at fair value with fair value changes recognised in profit or loss. [IAS 28.1]. An investment classified as held for sale in accordance with IFRS 5. [IAS 28.13(a)]. A parent that is exempted from preparing consolidated financial statements by paragraph 10 of IAS 27 may prepare separate financial statements as its primary financial statements. In those separate statements, the investment in the associate may be accounted for by the cost method or under IAS 39. [IAS 28.13(b)]



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2016

Notes to Financial Statements (Continued)

c) Grants

Government and other grants are recognised only if (1) and (2) are reasonably assured

(1) grants will be received

(2) conditions of grants will be satisfied

Grants related to property, equipment and other assets are presented in the reserves as deferred Income and utilized in the reduction of the carrying amounts of the related assets during its useful life. Any grant received to compensate expenses, losses or for the purpose of giving immediate operational support is dealt with in the income statement in the year it is received. Any Prepaid or advance grant received within an accounting period but used up in subsequent accounting. Any Prepaid or advance grant received within an accounting period but used up in subsequent accounting period will be declared as Income for the subsequent year. Government grant are accounted for as Income in the year received and expended as per the conditions of the GoK.

d) Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the Institute operates), which is Kenya Shillings.

Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in the profit and loss account in the year in which they arise, except for differences arising on translation of non-monetary available-for-sale financial assets, which are recognised in other comprehensive income.

e) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

f) Revenue recognition

Revenue represents the fair value of consideration received or receivable for the sale of goods and services in the course of the Institute's activities. It is recognised when it is probable that future economic benefits will flow to the Institute and the amount of revenue can be measured reliably. It is stated net of Value Added Tax, rebates and trade discounts. Cash discounts are included as part of finance costs.

Sale of goods are recognised upon the delivery of the product and customer acceptance, while sale of services are recognised upon performance of the service and customer acceptance based on the proportion of actual service rendered to the total services to be provided.

g) Property, plant and equipment

All categories of property, plant and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment. Freehold land/buildings/plant and machinery/furniture and equipment/computers, copiers and faxes/motor vehicles are subsequently carried at a revalued amount, based on annual/triennial valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All other items of property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.



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Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Institute and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit and loss account in the year in which they are incurred.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in accumulated funds under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the profit and loss account. Annually, the difference between depreciation charge based on the revalued carrying amount of the asset charged to the profit and loss account and depreciation based on the asset's original cost is transferred from the revaluation surplus reserve to accumulated funds.

Depreciation is calculated using the reducing balance method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life using the following annual rates:

Asset	Class	Rate - %
Land		<u>0.00</u>
Motor vehicles	III	25
Intangible Assets		
Furniture & fittings	IV	12.5
Office equipment	IV	12.5
Computers, copiers & fax	II	30

As no parts of items of property, plant and equipment have a cost that is significant in relation to the total cost of the item, the same rate of depreciation is applied to the whole item.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

h) Intangible assets

Software licence costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the Institute are recognised as intangible assets. Amortisation is calculated using the straight line method to write down the cost of each licence or item of software to its residual value over its estimated useful life using an annual rate of 25%.

i) Impairment of non-financial assets

Non-financial assets that are carried at amortised cost are reviewed at the end of each reporting period for any indication that an asset may be impaired. If any such indication exists, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

j) Retirement benefit obligations

Defined contribution

The Institute does not currently operate a defined contribution retirement benefits plan for its employees, there are therefore no assets of which are held in a separate trustee administered under a guaranteed scheme managed by an insurance company.



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Notes to Financial Statements (Continued)

However the Institute and the employees contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the Institute's contributions are charged to the profit and loss account in the year to which they relate.

k) Employee entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an employment cost accrual.

The annual carrying cost for the provision of medical benefit has been charged to the annual period that it relates. All the costs borne by the provider has not been recognised as the expense against the revenue earned for the year, However where the employer makes provision for similar benefit after the expiry or if the contractual limits are exceeded such an amount will be recognised and charged to the accounts for the year.

l) Borrowing costs

Borrowing costs, net of any temporary investment income on those borrowings, that are attributable to acquisition, construction or production of a qualifying asset are capitalised as part of the asset. The net borrowing cost capitalised is either the actual borrowing cost incurred on the amount borrowed specifically to finance the asset; or in the case of general borrowings, the borrowing cost is determined using the overall weighted average cost of the borrowings on all outstanding borrowings during the year less any specific borrowings directly attributable to the asset and applying this rate to the borrowing attributable to the asset. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised in the profit or loss in the year in which they are incurred.

m) Leases

Finance leases as the lessee

Leases of property, plant and equipment including hire purchase contracts where the Institute assumes substantially all the risks and rewards incident to ownership are classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease payment is allocated between the liability and finance cost using the interest rate implicit in the lease. The finance cost is charged to the profit and loss account in the year in which it is incurred. Property, plant and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset.

Operating leases

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made/received under operating leases are charged/credited to the profit and loss account on a straight line basis over the lease period. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease period.

n) Income taxes

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the profit and loss account except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current tax

Current income tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Kenyan Income Tax Act.



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Deferred income tax

Deferred income tax is provided in full on all temporary differences except those arising on the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss. Deferred income tax is determined using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

o) Financial instruments

The Institute classifies its financial instruments into the following categories:

i) **Financial assets and financial liabilities at fair value through profit or loss**, which comprise financial assets and financial liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term or to generate short-term profit-taking;

ii) **Loans and receivables**, which comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and excludes assets which the entity intends to sell immediately or in the near term or those which the entity upon initial recognition designates as at fair value through profit or loss or as available-for-sale financial assets.

iii) **Financial liabilities**, which comprise all financial liabilities except financial liabilities at fair value through profit or loss.

i) Financial assets

All financial assets are recognised initially using the trade date accounting which is the date the Institute commits itself to the purchase or sale. Financial assets carried at fair value through statement of comprehensive income are initially recognised at fair value and the transaction costs are expensed in the statement of comprehensive income account. All other categories of financial assets are recorded at the fair value of the consideration given plus the transaction cost.

Subsequently, held-to-maturity investments and loans and receivables are carried at amortised cost using the effective interest method, while all other financial assets are carried at their fair values, without deduction for transaction costs that may be incurred on sale.



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Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The Institute assesses at each statement of financial position whether there is objective evidence that a financial asset is impaired. If any such evidence exists, an impairment loss is recognised. Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. In the case of held-to-maturity investments and loans and receivables, the recoverable amount is the present value of the expected future cash flows, discounted using the asset's effective interest rate.

Changes in fair value of financial assets at fair value through profit or loss are recognised in the profit and loss account.

Changes in fair value for available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss), which are recognised in the statement of comprehensive income. In the year of sale, the cumulative gain or loss recognised in other comprehensive income is recognised in the profit or loss account as a reclassification adjustment.

Changes in the carrying values and impairment losses of held-to-maturity investments and loans and receivables are recognised in the profit and loss account. Trade and other receivables not collectible are written off against the related provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account in the year of recovery.

All financial assets are classified as non-current except financial assets at fair value through statement of comprehensive income, those with maturities of less than 12 months from the balance sheet date, those which the directors have the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Institute has transferred substantially all risks and rewards of ownership.

Financial assets held during the year were classified as follows:

Demand and term deposits with banking institutions and trade and other receivables were classified as 'loans and receivables'.

ii) Financial liabilities

All financial liabilities are recognised initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognised at fair value and the transaction costs are expensed in the statement of comprehensive income account.

Subsequently, all financial liabilities are carried at amortised cost using the effective interest method except for financial liabilities through profit or loss which are carried at fair value.

All financial liabilities are classified as non-current except financial liabilities at fair value through profit or loss, those expected to be settled in the Institute's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the Institute does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

Borrowings and trade and other liabilities are classified as financial liabilities by the directors and are carried at amortised cost.



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p) Provision for liabilities and charges

Provisions are recognised when the Institute has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

q) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings under current liabilities.

r) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

4 Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the Institute, the directors make certain judgements and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The directors evaluate these at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available.

a) Significant judgements made in applying the Institute's accounting policies

The judgements made by the management in the process of applying the Institute's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

- i) Whether it is probable that that future taxable surpluses will be available against which temporary differences can be utilised; and
- ii) Whether the institute has the ability to hold 'held-to maturity' investments until they mature. If the institute were to sell other than an insignificant amount of such investments before maturity, it would be required to classify the entire class as 'available-for-sale' and measure them at fair value.

b) Key sources of estimation uncertainty

Key assumptions about the future and other sources of estimation uncertainty made that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year include

- i) **Impairment losses**
Estimates made in determining the impairment losses on receivables. Such estimates include the determination of the net realisable value or the recoverable amount of the asset. However, the Institute has not provided for impairment provision for any unforeseen eventualities on the losses arising from such receivables.



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ii) Liquidity risk

Liquidity risk is the risk that the Institute will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the Institute's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The Institute manages liquidity risk by continuously reviewing forecasts and actual cash flows.

The table below summarises the maturity analysis for financial liabilities to their remaining contractual maturities (*time intervals to be based on what is provided to management, or what is appropriate for the business*). The amounts disclosed are the contractual undiscounted cash flows.

	Less than one month Shs	Between 1-3 months Shs	Between 3-12 months Shs
Year ended 31st December 2016			
Trade and other payables	21,211,059	2,512,540	1,658,112
Borrowings - bank			
- others			
	21,211,059	2,512,540	1,658,112
	Less than one month Shs	Between 1-3 months Shs	Between 3-12 months Shs
Year ended 31st December 2015			
Trade and other payables	4,583,635	2,725,385	2,070,580
Borrowings - bank			
- others			
	4,583,635	2,725,385	2,070,580

iii) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk arises on financial instruments that are denominated in foreign currency. The Institute has trade receivables, trade payables which are denominated in foreign currency. KISM maintains a foreign currency denominated in USD which is translated at the closing rate by end of 31st December 2016. However the transactions paid in foreign currency are made at negotiated rates of the prevailing market rates.



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5 Risk management objectives and policies

a) Financial risk management

The Institute's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Institute's overall risk management policies are set out by the board and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the Institute's performance by setting acceptable levels of risk. The Institute does not hedge against any risks.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on an Institute-wide basis. The Institute does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting the credit limit and the credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

The maximum exposure of the Institute to credit risk as at the balance sheet date is as follows:

	Fully performing Shs	Past due but not impaired Shs	Past due and impaired Shs
31st December 2016			
Financial assets	132,981,189		
Non-current receivables			
Trade receivables	20,708,504	6,724,992	6,191,463
Cash at bank	225,785,958		
Gross financial assets	379,475,652	6,724,992	6,191,463
	Fully performing Shs	Past due but not impaired Shs	Past due and impaired Shs
31st December 2015			
Financial assets	135,655,881		
Non-current receivables			
Trade receivables	12,348,471	5,699,294	949,882
Other receivables			
Cash at bank	128,121,126.00		
Gross financial assets	276,125,478	5,699,294	949,882

The ageing analysis of past due but not impaired trade receivables is: *including other categories of financial assets which are past due but not impaired requiring similar disclosure to be provided).*

	2016 Shs'000	2015 Shs'000
0-3 months	27,433,496	18,047,765
3-6 months	6,191,463	949,882
	33,624,959	18,997,647

The past due debtors are not impaired and continue to be paid. KISM does not maintain a provision for impairment to be held against the impaired receivables. The Institute does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables.



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Notes to Financial Statements Continued

	2016			2015		
	KISM	GoK & Partners	Total	KISM	GoK & Partners	Total
6 Grants from Partners						
Grant from GoK		6,175,632	6,175,632	-	15,549,743	15,549,743
Grant Income for the Year	-	6,175,632	6,175,632	-	15,549,743	15,549,743
7 Subscriptions						
Individual Membership	10,543,500	-	10,543,500	8,027,000	-	8,027,000
Corporate Membership	575,000	-	575,000	425,000	-	425,000
Membership Dinner Income	995,800	-	995,800	1,345,500	-	1,345,500
Licence Fees	2,890,000	-	2,890,000	400,000	-	400,000
Total Subscriptions	15,004,300	-	15,004,300	10,197,500	-	10,197,500
8 Workshop Receipts						
Total Workshop Receipts	110,217,400	-	110,217,400	50,719,350	-	50,719,350
Foreign exchange profit	-	-	-	-	-	-
Inhouse training fees	11,118,000	-	11,118,000	10,669,000	-	10,669,000
Less Discounts	-	-	-	(41,440)	-	(41,440)
Net Workshop Receipts	121,335,400	-	121,335,400	61,346,910	-	61,346,910
9 School Fees						
CIPS Training Fees	10,941,500	-	10,941,500	13,133,100	-	13,133,100
ITC Training Fees	-	-	-	-	-	-
Total School Fees	10,941,500	-	10,941,500	13,133,100	-	13,133,100
10 Share of Professional Income						
KISEB Examination						
Share of Examination fees	3,206,370	-	3,206,370	1,018,838	-	1,018,838
Total Income	3,206,370	-	3,206,370	1,018,838	-	1,018,838
11 Other Incomes						
Other Incomes - Procurement Consultancy	1,452,000	-	1,452,000	1,356,120	-	1,356,120
Investment Income	5,635,555	-	5,635,555	4,111,725	-	4,111,725
Rental Income	512,500	-	512,500	2,840,000	-	2,840,000
Specific Activity Grant	-	-	-	-	-	-
Total Other Income	7,600,055	-	7,600,055	8,307,845	-	8,307,845



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Notes to Financial Statements and Accounts Continued

	KISM	2016 GoK & Partners	Total	KISM	2015 GoK & Partners	Total
12 Staff Costs						
Employment Costs			-			-
Salaries and Wages	20,732,564	-	20,732,564	11,155,410	6,410,284	17,565,694
Internship Subsistence Allowances	32,000		32,000			
Medical Benefit	1,413,489		1,413,489	1,439,637	-	1,439,637
Training Levy	9,150		9,150	6,000	19,400	25,400
Staff Membership Subscriptions	44,000		44,000	33,000	-	33,000
Staff Training and Development	820,043		820,043	982,900	-	982,900
Staff leave days	238,101		238,101	238,101		238,101
Total staff costs	23,289,347	-	23,051,246	13,616,947	6,429,684	20,046,630
13 Council Expenses						
Council Allowances	4,026,431		4,026,431	4,530,571	1,627,000	6,157,571
Other Council Expenses						
Total Council Expenses	4,026,431	-	4,026,431	4,530,571	1,627,000	6,157,571
14 Administrative Expenses						
Subscriptions	238,500	490,050	728,550	456,000	147,000	603,000
Donations	95,000		95,000	54,500	-	54,500
Photocopy and Stationery	480,675	323,634	804,310	115,499	379,374	494,872
Printing Expenses	3,261,897	692,117	3,954,014	2,022,685	852,535	2,875,220
Telephone and Postage	648,008	19,505	667,513	395,834	13,325	409,159
Rent & Rates	9,438,798		9,438,798	6,070,591	2,487,440	8,558,031
Consultancy	2,131,000	1,396,500	3,527,500	1,182,000	80,000	1,262,000
Decoration Expenses	65,000		65,000	137,500	-	137,500
Legal Fees	180,000		180,000	18,966	-	18,966
Audit Fees			-	230,000	-	230,000
Security Services	427,682	794,533	1,222,215	418,000	-	418,000
Licences	296,513	-	296,513	245,028	-	245,028
Office Expenses	739,809	231,119	970,928	843,056	459,878	1,302,934
Cleaning Services	652,800		652,800	292,800	271,055	563,855
Training and Development			-	402,625	-	402,625
Travelling Expenses	6,251,074	752,083	7,003,157	4,203,140	711,980	4,915,120
Parking Fees	485,980		485,980	-	850,100	850,100
Motor Vehicle Fuel	183,050		183,050	52,950	131,265	184,215
Total Administrative Expenses	25,575,787	4,699,541	30,275,328	17,141,173	6,383,951	23,525,124
15 Operating Expenses						
Bank Charges	723,314	-	723,314	543,706	124,580	668,286
Promotion & Advertisements	5,100,546	-	5,100,546	3,645,844	406,677	4,052,521
Promotional Materials	1,899,960	-	1,899,960	734,817	-	734,817
Insurance	236,706	-	236,706	250,705	-	250,705
Repairs & Maintenance	464,273	-	464,273	260,634	-	260,634
Car Hire	198,820	-	198,820	76,500	18,000	94,500
Utilities	262,114	-	262,114	342,766	-	342,766
Architectural Consultancy	25,616,413		25,616,413			
Stamp Duty	27,000	-	27,000	112,970	-	112,970
Newsletter Articles	20,000	-	20,000	-	-	-
Excellence Awards	53,000	-	53,000	-	-	-
Workshop Facilitation Expenses	7,798,750	-	7,798,750	6,180,250	40,000	6,220,250
Website Expenses & Internet expenses	558,500	-	558,500	-	18,500	18,500
School Expenses	3,031,438	-	3,031,438	3,985,877	-	3,985,877
Other Sundry Expenses	398,120	-	398,120	245,300	20,000	265,300
Workshop and Membership Venue Expenses	22,594,655	-	22,594,655	10,734,744	2,108,352	12,843,097
Total Operating Expenses	68,983,608	-	68,983,608	27,114,113	2,736,109	29,850,222
16 Depreciation and amortization						
Depreciation	1,178,413	884,676	2,063,089	1,126,420	1,342,575	2,468,995
Amortisation	-	591,415	591,415	-	899,116	899,116
Total Wear and Tear Allowance	1,178,413	1,476,091	2,654,504	1,126,420	2,241,691	3,368,111



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17 Property Plant and Equipment							
Asset		Land & Building	Motor Vehicle	Computers &	Other Office	Furnitures	Total
Rate			25%	30%	12.5%	12.5%	
		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At cost							
As at 1st Jan 2015		104,148,373	2,544,000	6,236,519	2,824,069	12,399,589	128,152,550
Additions		16,688,842	-	1,208,847	232,304	174,569	18,304,561
Disposals							
As at 31st Dec 2015		120,837,215	2,544,000	7,445,366	3,056,373	12,574,158	146,457,111
As at 1st Jan 2016		120,837,215	2,544,000	7,445,366	3,056,373	12,574,158	146,457,111
Additions		-	-	311,500	-	-	311,500
Disposals		-	-	-	-	-	-
As at 31st Dec 2016		120,837,215	2,544,000	7,756,866	3,056,373	12,574,158	146,768,611
Depreciation						873,036.83	
As at 1st January 2015		-	2,091,223	4,081,888	1,293,674	3,562,799	11,029,584
Charge for the Year		-	113,194	1,009,043	220,337	1,126,420	2,468,995
Disposal		-	-	-	-	-	-
As at 31st Dec 2015		-	2,204,417	5,090,931	1,514,011	4,689,219	13,498,579
As at 1st January 2016		-	2,204,417	5,090,931	1,514,011	4,689,219	13,498,579
Charge for the Year		-	84,896	799,780	192,795	985,617	2,063,089
Disposal		-	-	-	-	-	-
As at 31st Dec 2016		-	2,289,313	5,890,712	1,706,807	5,674,836	15,561,667
Net Book Value							
As at 31st Dec 2016		120,837,215	254,687	1,866,154	1,349,566	6,899,321	131,206,944
As at 31st Dec 2015		120,837,215	339,583	2,354,434	1,542,361	7,884,939	132,958,532
18 Intangible Assets		Softwares/ Intangible Assets					
		25%					
At cost							
As at 1st Jan 2015		5,327,588	5,327,588				
Additions		118,000	118,000				
Disposals		-	-				
As at 31st Dec 2015		5,445,588	5,445,588				
As at 1st Jan 2016		5,445,588	5,445,588				
Additions		-	-				
Disposals		(331,688)	(331,688)				
Total Cost		5,113,900	5,113,900				
Amortisation							
As at 1st January 2015		1,849,122	1,849,122				
Charge for the Year		899,116	899,116				
Disposal		-	-				
As at 31st Dec 2015		2,748,239	2,748,239				
As at 1st Jan 2016		2,748,239	2,748,239				
Charge for the Year		591,415	591,415				
Disposal		-	-				
As at 31st December 2016		3,339,654	3,339,654				
Net Book Value							
As at 31st Dec 2016		1,774,246	1,774,246				
As at 31st Dec 2015		2,697,349	2,697,349				



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2016

Notes to the financial statements continued

	2016			2015		
	Kshs			Kshs		
	KISM	GoK & Partners	Total	KISM	GoK & Partners	Total
19 Cash & Cash Equivalents						
MPESA Safaricom 552500 Account	-	-	-	-	-	-
KISM Petty cash	-	-	-	21,548	-	21,548
Standard Chartered Bank - KISM	160,458,170	-	160,458,170	83,398,187	-	83,398,187
Standard Chartered Bank - Call	63,751,853	-	63,751,853	61,866,536	-	61,866,536
Standard Chartered Bank - Fixed Deposit	-	-	-	-	-	-
Standard Chartered Bank - USD	1,163,361	-	1,163,361	307,565	-	307,565
Standard Chartered Bank - Grant A/c	412,574	-	412,574	185,604	-	185,604
Balance as at 31st December	225,785,958	-	225,785,958	145,779,441	-	145,779,441
20 Debtors and Prepayments						
Deposits	3,394,058	-	3,394,058	3,337,085	-	3,337,085
Trade Debtors	33,624,959	-	33,624,959	18,997,647	-	18,997,647
VAT Claimable	2,293,405	-	2,293,405	829,374	-	829,374
School Fees Debts	521,540	-	521,540	1,215,450	-	1,215,450
Total Debtors and Prepayments	39,833,962	-	39,833,962	24,379,557	-	24,379,557
21 Grant Accounting						
Balance b/f	-	30,660,736	30,660,736	-	47,500,000	47,500,000
Grant disbursement	-	55,000,000	55,000,000	-	51,000,000	51,000,000
Total Available grant	-	85,660,736	85,660,736	-	98,500,000	98,500,000
Less :Total Expenditure	-	-	-	-	-	-
Development	-	-	-	-	-	-
KISM	-	-	-	-	37,663,618	37,663,618
Recurrent	-	-	-	-	-	-
KISEB	-	4,741,613	4,741,613	-	9,023,492	9,023,492
KISM	-	6,175,632	6,175,632	-	21,152,154	21,152,154
Total Expenditure	-	10,917,245	10,917,245	-	67,839,264	67,839,264
Balance c/d	-	74,743,490	74,743,490	-	30,660,736	30,660,736
22 Bank Balance due to KISEB						
Total Income collected	10,687,900	-	10,687,900	3,461,000	-	3,461,000
Add Balance b/d	3,461,000	-	3,461,000	-	-	-
Add Grant Absorbed	14,148,900	-	14,148,900	-	-	-
Subtract Prepayment	4,747,553	-	4,747,553	-	-	-
Total Income Available	64,875	-	64,875	-	-	-
Less Expenses	18,831,578	-	18,831,578	-	-	-
Total Non Current Expenses	10,413,658	-	10,413,658	-	-	-
Cash Balance after Operations	385,000	-	385,000	-	-	-
Cash refunds to KISM	-	-	-	-	-	-
Less Share of Income	4,225,208	-	4,225,208	-	-	-
Balance as at 31st December	3,807,713	-	3,807,713	3,461,000	-	3,461,000
23 Creditors and Accruals						
Creditors and accruals	25,143,610	-	25,143,610	6,309,949	-	6,309,949
Contingent liabilities	238,101	-	238,101	238,101	-	238,101
Corporation tax	-	-	-	529,815	-	529,815
Total Creditors and Accruals	25,381,711	-	25,381,711	7,077,865	-	7,077,865
24 Prepayment						
School Fees Prepayments	2,898,636	-	2,898,636	2,831,551	-	2,831,551
Total School Fees Prepayments	2,898,636	-	2,898,636	2,831,551	-	2,831,551
25 Workshop Refunds						
Workshop Refunds	682,581	-	682,581	467,101	-	467,101
Total Workshop Refunds	682,581	-	682,581	467,101	-	467,101
26 Asset Grant Current W.D.V 2016						
Land and Building W.D.V	-	100,751,503	100,751,503	-	-	100,751,503
Motor Vehicle W.D.V	-	254,687	254,687	-	-	339,583
Computers and Other Electronics W.D.V	-	1,866,154	1,866,154	-	-	2,354,434
Furniture and Fixtures W.D.V	-	6,899,321	6,899,321	-	-	7,361,168
Software and Intangible W.D.V	-	1,774,246	1,774,246	-	-	2,697,349
Total Asset Grant	-	111,545,912	-	111,545,912	-	113,504,037



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2016

Notes to Financial Statements Continued

27 TAX COMPUTATION

Property Plant and Equipment

Asset	Land & Building	Motor Vehicle	Computers & other Electronics	Other Office Equipments	Furnitures	Total
Rate		25%	30%	12.5%	12.5%	
		Ksh	Ksh	Ksh	Ksh	Ksh
At cost						
As at 1st Jan 2015	104,148,373	2,544,000	6,236,519	2,824,069	12,399,589	128,152,550
Additions	16,688,842	-	1,208,847	232,304	174,569	18,304,561
Disposals						
As at 31st Dec 2015	120,837,215	2,544,000	7,445,366	3,056,373	12,574,158	146,457,111
As at 1st Jan 2016	120,837,215	2,544,000	7,445,366	3,056,373	12,574,158	146,457,111
Additions	-	-	311,500	-	-	311,500
Disposals	-	-	-	-	-	-
As at 31st Dec 2016	120,837,215	2,544,000	7,756,866	3,056,373	12,574,158	146,768,611
Depreciation						
As at 1st January 2015	-	2,091,223	4,081,888	1,293,674	3,562,799	11,029,584
Charge for the Year	-	113,194	1,009,043	220,337	1,126,420	2,468,995
Disposal	-	-	-	-	-	-
As at 31st Dec 2015	-	2,204,417	5,090,931	1,514,011	4,689,219	13,498,579
As at 1st January 2016	-	2,204,417	5,090,931	1,514,011	4,689,219	13,498,579
Charge for the Year	-	84,896	799,780	192,795	985,617	2,063,089
Disposal	-	-	-	-	-	-
As at 31st Dec 2016	-	2,289,313	5,890,712	1,706,807	5,674,836	15,561,667
Net Book Value						
As at 31st Dec 2016	120,837,215	254,687	1,866,154	1,349,566	6,899,321	131,206,944
As at 31st Dec 2015	120,837,215	339,583	2,354,434	1,542,361	7,884,939	132,958,532
Intangible Assets		Softwares/ Intangible Assets				
		25%				
At cost						
As at 1st Jan 2015		5,327,588	5,327,588			
Additions		118,000	118,000			
Disposals		-	-			
As at 31st Dec 2015		5,445,588	5,445,588			
As at 1st Jan 2016		5,445,588	5,445,588			
Additions		-	-			
Disposals		(331,688)	(331,688)			
Total Cost		5,113,900	5,113,900			
Amortisation						
As at 1st January 2015		1,849,122	1,849,122			
Charge for the Year		899,116	899,116			
Disposal		-	-			
As at 31st Dec 2015		2,748,239	2,748,239			
As at 1st Jan 2016		2,748,239	2,748,239			
Charge for the Year		591,415	591,415			
Disposal		-	-			
As at 31st December 2016		3,339,654	3,339,654			
Net Book Value						
As at 31st Dec 2016		1,774,246	1,774,246			
As at 31st Dec 2015		2,697,349	2,697,349			



Kenya Institute of Supplies Management
Annual Report & Financial Statements
For the Period ended 31st December 2016

Notes to Financial Statements (Continued)

		2016	2015
		Kshs	Kshs
28	TAX COMPUTATION		
	Income/Loss as per accounts on Surplus generating units	35,034,039	30,236,867
	Add Back: Depreciation	2,063,089	1,342,575
	Amortisation	591,415	899,116
	Legal Fees on Tenancy Agreements		-
	Deduct Wear & Tear Allowance	2,654,504	2,241,691
	Less Rental Income		2,840,000
	Adjusted Income	35,034,039	27,396,867
	Deduct		
	Membership Subscriptions	15,004,300	10,197,500
	Educational School Fees	14,147,870	13,133,100
	Adjusted Net Income	5,881,869	4,066,267
	Add Net Rental Income		2,840,000
	Deduct Legal Fees		-
	Taxable Income	5,881,869	6,906,267
	Tax Payable @ 30%	1,764,561	2,071,880
	Deduct		
	Tax Payable	1,764,561	2,071,880
	Less Advance Taxes	29 (1,938,834)	(1,542,065)
	Tax Due and Payable	(174,273)	529,815
29	TAX WITHHELD		
	Tax Withheld By Clients	1,938,834	1,542,065
	Total Withheld Taxes	1,938,834	1,542,065

Kenya Institute of Supplies Examinations Board

Promoting Professionalism in Supply Chain Management

**AUDITED ANNUAL REPORTS &
FINANCIAL STATEMENTS**

YEAR ENDED 31ST DECEMBER 2016

Kenya Institute of Supplies Examinations Board

**Annual Report & Financial Statements
For the Period ended 31st December 2016**

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Kenya Institute of Supplies Examinations Board
Annual Report & Financial Statements
For the Period ended 31st December 2016

CORPORATE INFORMATION

Caretaker Council Members

: Eng. Chris Oanda	Chairman
: Francis Murabula	Council Member
: Joseph Fidelis Ogachi	Council Member
: Dickson Mutuku Mwenze	Council Member
: Jeremiah Charles Ogola	Council Member
: Joyce Nyanamba	Council Member
: Florence Oile	Council Member
: Principal Secretary Ministry of Finance & National Treasury	
: Director General PPOA	

Structure of the KISM Caretaker Committee

- : The KISM Council
- Committees of the Council**
- : Finance & Administration Committee
- : Standards Committee
- : Audit Committee
- : Registration Committee

Registered Office

- : Nation Center 12th Floor Wing "B"
- : Kimathi Street
- : P.O Box 30400 - 00100
- : Cellphone: 0721 244828, 0733 333226, 0701 333226
- : Telefax: 2213911
- : NAIROBI
- : Email admin@kism.or.ke
- : Website. www.kism.or.ke

Principal Banker

- : Standard Chartered Bank
- : Westlands Branch
- : Woodvale Groove
- : P.O. Box 14438-00800
- : Tel: 4443018/2/20, 4448956
- : NAIROBI

Legal Advisor

- : Akunga Momanyi & Co Advocates
- : P.O Box 10324-00100-G.P.O
- : NAIROBI
- : Cell: 0722-992979/0722-988205/0733873300
- : E-Mail: akungamomanyi@yahoo.com

Kenya Institute of Supplies Examinations Board

Annual Report & Financial Statements

For the Period ended 31st December 2016

ANNUAL FINANCIAL REVIEW		
YEAR	2015	2016
<i>Grants from Partners</i>	9,023,492	4,741,613
<i>Registration Fees</i>	1,017,000	4,385,500
<i>Examination Fees</i>	2,444,000	6,302,400
<i>Renewal Fees</i>	-	-
<i>Other Income</i>	-	-
<i>Exemption Fees</i>	-	437,250
<i>Less Refunds</i>	(64,875)	(22,500)
Total Income	12,419,617	15,844,263
<i>Administrative Expenses</i>	1,385,907	1,528,440
<i>Operating Expenses</i>	7,637,585	8,978,224
Operating Surplus/(Deficit) Before Finance cost	3,396,125	4,928,789
<i>Finance Costs</i>	-	99,493
Operating Surplus/(Deficit) after Finance Costs	3,396,125	4,829,296
<i>Taxable Surplus</i>	-	-
<i>Share of Income</i>	1,018,838	3,206,370
Surplus / (Deficit) after tax	2,377,288	1,622,926

Kenya Institute of Supplies Examinations Board
Annual Report & Financial Statements
For the Period ended 31st December 2016

CARETAKER COUNCIL REPORT

The Caretaker Council submit their report and the audited financial statements For the Period ended 31st December 2016 which disclose the state of affairs of the Examinations.

INCORPORATION

The Institute is a body corporate established under Part III Section 12 (1) of the Supplies Practitioners Management Act 2007 No. 17 and is domiciled in Kenya

PRINCIPAL ACTIVITIES

The mandate of KISEB is the development of syllabuses, conducting of professional, diploma and technician examinations and certification of candidates in procurement and supply chain management among other related disciplines; the promotion of its qualifications nationally and internationally and the accreditation of relevant training institutions

RESULTS

The result of the Institute and Examination Board for the year are shown on page number 6 and 13

MANAGEMENT

The Caretaker Council members who held office during the year are shown on page 1

BY ORDER OF THE CARETAKER COUNCIL


.....
ENG. CHRIS OANDA, CHAIRMAN.

Kenya Institute of Supplies Examinations Board

**Annual Report & Financial Statements
For the Period ended 31st December 2016**

STATEMENTS OF RESPONSIBILITY

The Supplies Practitioners Management Act 2007 No. 17 Part V Section 28 (2) requires that the financial statements for each financial year are prepared, which give a true and fair view of the state of affairs of the Institute as at the end of the financial year and of the operating results of the Institute for that year.

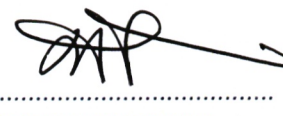
The Institute accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Supplies Practitioner Management Act. The Council are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Institute and of its operating results. The Institute further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial as well as adequate systems of internal financial control.

Nothing has come to the attention of the Institute to indicate that the activities defined within the Act will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the KISM Council on 2018 and signed on behalf by:


ENG. CHRIS OANDA
CHAIRMAN


DICKSON MWENZE
COUNCIL MEMBER


FRANCIS MURABULA
COUNCIL MEMBER

Kenya Institute of Supplies Examination Board
Annual Report & Financial Statements
For the Period ended 31st December 2016

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31.12.2016

	Notes	2016			Kshs 2015		
		KISEB	GoK & Other Partners	Totals	KISEB	GoK & Other Partners	Totals
Income					Kshs	Kshs	Kshs
Grants from Partners	6		4,747,553	4,747,553	-	9,023,492	9,023,492
Registration Fees	7	4,385,500		4,385,500	1,017,000	-	1,017,000
Examination Fees	7	5,887,650		5,887,650	2,444,000	-	2,444,000
Exemption Fees	7	437,250		437,250	-	-	-
Less Refunds	7	(22,500)		(22,500)	(64,875)	-	(64,875)
Total Income		10,687,900	4,747,553	15,435,453	3,396,125	9,023,492	12,419,617
Expenditure							
Administrative Expenses	8.1	975,894.0	552,546.3	1,528,440.3	-	1,385,907	1,385,907
Operating Expenses	8.3	4,783,217	4,195,007	8,978,224	-	7,637,585	7,637,585
Operating Surplus/(Deficit) Before Finance cost		4,928,789	-	4,928,789	3,396,125	-	3,396,125
Finance Costs		99,493	-	99,493	-	-	-
Operating Surplus/(Deficit) after Finance Costs		4,829,296	-	4,829,296	3,396,125	-	3,396,125
Taxable Surplus					-	-	-
Share of Income	8.2	3,206,370.0		3,206,370.0	1,018,838	-	1,018,838
Surplus / (Deficit) after tax		1,622,926	-	1,622,926	2,377,288	-	2,377,288



Kenya Institute of Supplies Examination Board
Annual Report & Financial Statements
For the Period ended 31st December 2016

STATEMENT OF FINANCIAL POSITION AS AT 31.12.2016

	Notes	2016 KShs	2015 Kshs
Non-Current Assets			
Curriculum Development	9	8,250,548	8,250,548
Intangible Assets	14	577,500	-
Total Non-Current Assets		8,828,048	8,250,548
Current Assets			
Cash and Cash Equivalents	10	8,032,921	3,461,000
Grant Accounting	11	-	30,000
Debtors & Prepayment		-	-
Total Current Assets		8,032,921	3,491,000
Current Liabilities			
Creditors & Accruals	13	4,610,208	1,048,838
Prepayments	7	-	64,875
Total Current Liabilities		4,610,208	1,113,713
Net Current Assets		3,422,713	2,377,288
Net Capital Employed		12,250,761	10,627,835
Accumulated Funds			
Accumulated Funds b/f		2,377,288	-
Retained Earnings		1,622,926	2,377,288
Accumulated Funds		4,000,213	2,377,288
Asset Grant	9	8,250,548	8,250,548
Total Funds		12,250,761	10,627,835
Current ratio		2.04:1	3.13:1

Financial Statements on pages 5 to 8 were approved for issue by the Council on 2018, and were signed on behalf by;

.....
ENG. CHRIS OANDA
CHAIRMAN

.....
FRANCIS MURABULA
COUNCIL MEMBER

Kenya Institute of Supplies Examinations Board
Annual Report & Financial Statements
For the Period ended 31st December 2016

STATEMENT OF CHANGES IN NET ASSETS AS AT 31.12.2016

	Acumulated Reserves	Designated Fund	Total Kshs
<i>As at 1st Jan 2015</i>	-	-	-
<i>Total Comprehensive Income for the year</i>	3,396,126	-	3,396,126
<i>Transfer of share of fees</i>	(1,018,838)	-	(1,018,838)
<i>Other surplus from other activities</i>			-
<i>As at 31st December 2015</i>	2,377,288	-	2,377,288
<i>As at 1st Jan 2016</i>	2,377,288	-	2,377,288
<i>Total Comprehensive Income for the year</i>	4,829,296	-	4,829,296
<i>Transfer of share of fees</i>	(3,206,370)	-	(3,206,370)
<i>Other surplus from other activities</i>			-
<i>As at 31st December 2016</i>	4,000,214	-	4,000,214

Kenya Institute of Supplies Examinations Board
Annual Report & Financial Statements
For the Period ended 31st December 2016

CONSOLIDATED STATEMENT OF CASHFLOW FOR THE PERIOD ENDED 31.12.2016

	2016	2015
	Kshs	Kshs
Cash Generated from Operations		
Reconciliation of Surplus(deficit) before tax to cash generated from operations;		
Surplus(deficit) before tax	1,622,926	2,377,288
Add Non Cash Adjustments		
Depreciation	-	-
Amortisation	192,500	-
Cashflow before Changes in Working capital	1,815,426	2,377,288
Changes in Working Capital		
(Increase)/ Decrease in Receivables	30,000	(30,000)
Increase/(Decrease) in Creditors	3,561,370	1,048,838
Increase/(Decrease) in Refunds	(64,875)	64,875
Tax Paid	-	-
Net Cash from/(used in) Operating Activities	3,526,495	1,083,713
Investing Activities		
Purchase of Property, Plant and Equipment	(770,000)	(8,250,548)
Net Cash from/(used in) Investing Activities	(770,000)	(8,250,548)
Financing Activities		
Increase/(Decrease) in Grants	-	8,250,548
Net Cash from/(used in) in Financing Activities	-	8,250,548
As at 1st January	3,461,000	-
Increase/(Decrease) in cash and Cash Equivalents	4,571,921	3,461,000
As at 31st December	8,032,921	3,461,000

Kenya Institute of Supplies Examinations Board
Annual Report & Financial Statements
For the Period ended 31st December 2016

Notes to the Financial Statements

1 Accounting Policies

The Kenya Institute of Supplies Examinations Board is a membership institution established by the Supplies Practitioners Management Act, 2007 as a statutory body charged with the mandate of entrenching professional ethics in Supply chain and Procurement.

2 Statement of Compliance

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRSs). The financial statements are presented in functional currency, Kenya shillings (Kshs.), which is the prevailing currency within primary economic environment, rounded to the nearest thousands and prepared in accordance with the measurement bases prescribed by IFRSs.

The preparation of financial statement is in conformity with IFRS which requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Institute's policies.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

3 Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of these general purpose financial statements are set out below:

a) Basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS). The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand, which is also the functional currency (see (d) below).

The financial statements comprise a profit and loss account (statement of comprehensive income), balance sheet (statement of financial position), statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit and loss account. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expense (including reclassification adjustments) that are not recognised in the profit and loss account as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to the profit and loss account in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the Institute in their capacity as owners are recognised in the statement of changes in equity.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the accounting policies adopted by the Institute. Although such estimates and assumptions are based on the directors' best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revisions are made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in Note 2.

b) Accounting for associates

Associate: an entity in which an investor has significant influence but not control or joint control. IAS 28 applies to all investments in which an investor has significant influence but not control or joint control except for investments held by a venture capital organisation, mutual fund, unit trust, and similar entity that are designated under IAS 39 to be at fair value with fair value changes recognised in profit or loss. [IAS 28.1]

In its consolidated financial statements, an investor should use the equity method of accounting for investments in associates. Under IAS 39, those investments are measured at fair value with fair value changes recognised in profit or loss. [IAS 28.1]. An investment classified as held for sale in accordance with IFRS 5. [IAS 28.13(a)]. A parent that is exempted from preparing consolidated financial statements by paragraph 10 of IAS 27 may prepare separate financial statements as its primary financial statements. In those separate statements, the investment in the associate may be accounted for by the cost method or under IAS 39. [IAS 28.13(b)]

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Notes to Financial Statements (Continued)

c) Grants

Government and other grants are recognised only if (1) and (2) are reasonably assured

(1) grants will be received

(2) conditions of grants will be satisfied

Grants related to property, equipment and other assets are presented in the reserves as deferred Income and utilized in the reduction of the carrying amounts of the related assets during its useful life. Any grant received to compensate expenses, losses or for the purpose of giving immediate operational support is dealt with in the income statement in the year it is received. Any Prepaid or advance grant received within an accounting period but used up in subsequent accounting. Any Prepaid or advance grant received within an accounting period but used up in subsequent accounting period will be declared as Income for the subsequent year. Government grant are accounted for as Income in the year received and expended as per the conditions of the GoK.

d) Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the Institute operates), which is Kenya Shillings.

Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in the profit and loss account in the year in which they arise, except for differences arising on translation of non-monetary available-for-sale financial assets, which are recognised in other comprehensive income.

e) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

f) Revenue recognition

Revenue represents the fair value of consideration received or receivable for the sale of goods and services in the course of the Institute's activities. It is recognised when it is probable that future economic benefits will flow to the Institute and the amount of revenue can be measured reliably. It is stated net of Value Added Tax, rebates and trade discounts. Cash discounts are included as part of finance costs.

Sale of goods are recognised upon the delivery of the product and customer acceptance, while sale of services are recognised upon performance of the service and customer acceptance based on the proportion of actual service rendered to the total services to be provided.

g) Property, plant and equipment

All categories of property, plant and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment. Freehold land/buildings/plant and machinery/furniture and equipment/computers, copiers and faxes/motor vehicles are subsequently carried at a revalued amount, based on annual/triennial valuations by external independent valuers, less accumulated depreciation and accumulated impairment losses. All other items of property, plant and equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

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Notes to Financial Statements (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Institute and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit and loss account in the year in which they are incurred.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in accumulated funds under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the profit and loss account. Annually, the difference between depreciation charge based on the revalued carrying amount of the asset charged to the profit and loss account and depreciation based on the asset's original cost is transferred from the revaluation surplus reserve to accumulated funds.

Depreciation is calculated using the reducing balance method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life using the following annual rates:

Asset	Class	Rate - %
Land		<u>0.00</u>
Motor vehicles	III	25
Intangible Assets		
Furniture & fittings	IV	12.5
Office equipment	IV	12.5
Computers, copiers & fax	II	30

As no parts of items of property, plant and equipment have a cost that is significant in relation to the total cost of the item, the same rate of depreciation is applied to the whole item.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

h) Intangible assets

Software licence costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the Institute are recognised as intangible assets. Amortisation is calculated using the straight line method to write down the cost of each licence or item of software to its residual value over its estimated useful life using an annual rate of 25%.

i) Impairment of non-financial assets

Non-financial assets that are carried at amortised cost are reviewed at the end of each reporting period for any indication that an asset may be impaired. If any such indication exists, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

j) Retirement benefit obligations

Defined contribution

The Institute does not currently operate a defined contribution retirement benefits plan for its employees, there are therefore no assets of which are held in a separate trustee administered under a guaranteed scheme managed by an insurance company.

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Financial Statements (Continued)

Neither the Institute and the employees contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the Institute's contributions are charged to the profit and loss account in the year to which they relate.

k) Employee entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an employment cost accrual.

The annual carrying cost for the provision of medical benefit has been charged to the annual period that it relates. All the costs borne by the provider has not been recognised as the expense against the revenue earned for the year. However where the employer makes provision for similar benefit after the expiry or if the contractual limits are exceeded such an amount will be recognised and charged to the accounts for the year.

l) Borrowing costs

Borrowing costs, net of any temporary investment income on those borrowings, that are attributable to acquisition, construction or production of a qualifying asset are capitalised as part of the asset. The net borrowing cost capitalised is either the actual borrowing cost incurred on the amount borrowed specifically to finance the asset; or in the case of general borrowings, the borrowing cost is determined using the overall weighted average cost of the borrowings on all outstanding borrowings during the year less any specific borrowings directly attributable to the asset and applying this rate to the borrowing attributable to the asset. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised in the profit or loss in the year in which they are incurred.

m) Leases

Finance leases as the lessee

Leases of property, plant and equipment including hire purchase contracts where the Institute assumes substantially all the risks and rewards incident to ownership are classified as finance leases. Finance leases are recognised as a liability at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The interest rate implicit in the lease is used as the discount factor in determining the present value. Each lease payment is allocated between the liability and finance cost using the interest rate implicit in the lease. The finance cost is charged to the profit and loss account in the year in which it is incurred. Property, plant and equipment acquired under finance leases are capitalised and depreciated over the estimated useful life of the asset.

Operating leases

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made/received under operating leases are charged/credited to the profit and loss account on a straight line basis over the lease period. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease period.

n) Income taxes

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining profit or loss for the year. Tax is recognised in the profit and loss account except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised in equity, in which case it is also recognised directly in equity.

Current tax

Current income tax is the amount of income tax payable on the taxable profit for the year, and any adjustment in respect of prior years, determined in accordance with the Kenyan Income Tax Act.

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Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The Institute assesses at each statement of financial position whether there is objective evidence that a financial asset is impaired. If any such evidence exists, an impairment loss is recognised. Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. In the case of held-to-maturity investments and loans and receivables, the recoverable amount is the present value of the expected future cash flows, discounted using the asset's effective interest rate.

Changes in fair value of financial assets at fair value through profit or loss are recognised in the profit and loss account.

Changes in fair value for available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss), which are recognised in the statement of comprehensive income. In the year of sale, the cumulative gain or loss recognised in other comprehensive income is recognised in the profit or loss account as a reclassification adjustment.

Changes in the carrying values and impairment losses of held-to-maturity investments and loans and receivables are recognised in the profit and loss account. Trade and other receivables not collectible are written off against the related provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account in the year of recovery.

All financial assets are classified as non-current except financial assets at fair value through statement of comprehensive income, those with maturities of less than 12 months from the balance sheet date, those which the directors have the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Institute has transferred substantially all risks and rewards of ownership.

Financial assets held during the year were classified as follows:

- Demand and term deposits with banking institutions and trade and other receivables were classified as 'loans and receivables'.

ii) Financial liabilities

All financial liabilities are recognised initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognised at fair value and the transaction costs are expensed in the statement of comprehensive income account.

Subsequently, all financial liabilities are carried at amortised cost using the effective interest method except for financial liabilities through profit or loss which are carried at fair value.

All financial liabilities are classified as non-current except financial liabilities at fair value through profit or loss, those expected to be settled in the Institute's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the Institute does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

Borrowings and trade and other liabilities are classified as financial liabilities by the directors and are carried at amortised cost.

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p) Provision for liabilities and charges

Provisions are recognised when the Institute has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

q) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings under current liabilities.

r) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

4 Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the Institute, the directors make certain judgements and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The directors evaluate these at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available.

a) Significant judgements made in applying the Institute's accounting policies

The judgements made by the management in the process of applying the Institute's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

- i) Whether it is probable that that future taxable surpluses will be available against which temporary differences can be utilised; and
- ii) Whether the institute has the ability to hold 'held-to maturity' investments until they mature. If the institute were to sell other than an insignificant amount of such investments before maturity, it would be required to classify the entire class as 'available-for-sale' and measure them at fair value.

b) Key sources of estimation uncertainty

Key assumptions about the future and other sources of estimation uncertainty made that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year include

- i) **Impairment losses**
Estimates made in determining the impairment losses on receivables. Such estimates include the determination of the net realisable value or the recoverable amount of the asset. However, the Institute has not provided for impairment provision for any unforeseen eventualities on the losses arising from such receivables.

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ii) Liquidity risk

Liquidity risk is the risk that the Institute will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the Institute's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The Institute manages liquidity risk by continuously reviewing forecasts and actual cash flows.

The table below summarises the maturity analysis for financial liabilities to their remaining contractual maturities (*time intervals to be based on what is provided to management, or what is appropriate for the business*). The amounts disclosed are the contractual undiscounted cash flows.

	Less than one month Shs	Between 1-3 months Shs	Between 3-12 months Shs
Year ended 31st December 2016			
Trade and other payables	4,610,208	-	-
Borrowings - bank			
- others			
	4,610,208	-	-

iii) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk arises on financial instruments that are denominated in foreign currency. The Institute has trade receivables, trade payables and borrowings which are denominated in foreign currency. KISM did not maintain a foreign currency account in the year under review. However the transactions paid in foreign currency were made at negotiated rates of the prevailing market rates.

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5 Risk management objectives and policies

a) Financial risk management

The Institute's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Institute's overall risk management policies are set out by the board and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the Institute's performance by setting acceptable levels of risk. The Institute does not hedge against any risks.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on an Institute-wide basis. The Institute does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting the credit limit and the credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

The maximum exposure of the Institute to credit risk as at the balance sheet date is as follows:

	Fully performing Shs	Past due but not impaired Shs	Past due and impaired Shs
31st December 2016			
Financial assets			-
Non-current receivables			
Trade receivables	-	-	-
Cash at bank	8,032,921		
Gross financial assets	8,032,921	-	-

The ageing analysis of past due but not impaired trade receivables is: *including other categories of financial assets which are past due but not impaired requiring similar disclosure to be provided).*

	2016	2015
0-3 months	0	-
3-6 months		-
	-	-

The past due debtors are not impaired and continue to be paid. KISM does not maintain a provision for impairment to be held against the impaired receivables. The Institute does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables.

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Notes to Financial Statements Continued

	Own Funds	2016 GoK & Partners	Total	Own Funds	2015 GoK & Partners	Total
6 Grants from Partners						
Grant from GIZ - Direct Funding			-	-	-	-
Grant from GoK		4,747,553	4,747,553		9,023,492	9,023,492
Grant Income for the Year	-	4,747,553	4,747,553	-	9,023,492	9,023,492
7 Examination Income						
Registration Fees						
Associate	30,000	-	30,000	60,000	-	60,000
Professional	4,355,500	-	4,355,500	957,000	-	957,000
Total Registration Fees	4,385,500	-	4,385,500	1,017,000	-	1,017,000
Examination						
Associate	640,200	-	640,200	132,000	-	132,000
Professional	5,247,450	-	5,247,450	2,312,000	-	2,312,000
Total Examination Fees	5,887,650	-	5,887,650	2,444,000	-	2,444,000
Exemption Fees	437,250		437,250	-		-
Less Deffered Fees			-			-
Associate	-	-	-	-	-	-
Professional	(22,500)	-	(22,500)	(64,875)	-	(64,875)
Total Examination Income	10,687,900	-	10,687,900	3,396,125	-	3,396,125
8 Examination Expenses						
8.1 Administration Expenses						
Travelling Expenses	-	221,543	221,543	-	929,850	929,850
Staff Welfare Expenses		5,600	5,600			
Transitional Board Expenses	73,500		73,500			
Facilitation Expenses	-	-	-	-	175,000	175,000
Other Expenses	-	900	900	-	162,205	162,205
Photocopy and Stationery	-	2,802	2,802	-	5,100	5,100
Telephone and Postage	-	26,302	26,302	-	7,753	7,753
Total Administrative Expenses	73,500	257,146	330,646	-	1,279,907	1,279,907
8.2 Distribution of Income						
Total Collections	10,687,900		10,687,900	-	3,461,000	3,461,000
Less Refunds	-		-	-	64,875	64,875
Income Realised	10,687,900	-	10,687,900		3,396,125	3,396,125
Share of Fees _SPMA 13(h)						
30% of Realised Income	3,206,370	-	3,206,370		1,018,838	1,018,838
8.3 Staff Costs						
Salaries and Wages	804,000	-	804,000	-	106,000	106,000
Daily Subsistence Allowances	-	295,400	295,400	-	-	-
Other Wages	98,394	-	98,394	-	-	-
Total Staff Costs	902,394	295,400	1,197,794	-	106,000	106,000

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Notes to the financial statements continued

	Own Funds	GoK & Partners	Total	Own Funds	GoK & Partners	Total
8.3 Operating Expenses						
Promotion & Advertisements		2,469,890	2,469,890	-	1,776,508	1,776,508
Exhibition Expenses	-	225,000	225,000			
Car Hire Expenses		65,770	65,770			
Hotel and Venue Expenses	-	63,449	63,449	-	1,590,546	1,590,546
Finance Costs - Bank Charges	99,493	-	99,493			
Amortisation	192,500	-	192,500	-	-	-
Audit Fees	-	50,000	50,000	-	30,000	30,000
Examination Development Expenses	3,678,000	-	3,678,000	-	2,042,600	2,042,600
Examination Accreditation	-	835,598	835,598		386,500	386,500
Hire of Equipment		-	-	-	24,000	24,000
Printing Expenses	912,717	485,300	1,398,017	-	1,347,631	1,347,631
Decoration Expenses		-	-	-	439,800	439,800
Total Operating Expenses	4,882,710	4,195,007	9,077,717	-	7,637,585	7,637,585
9 Curriculum Development Expense						
Branding Expenses				91,500		
Welfare Catering Expenses				45,180		
Office Expenses - Others				14,293		
Advertisement Expenses				455,566		
Training Consultancies				486,850		
Curriculum Experts				5,289,350		
Honorarium				12,000		
Photo Coverage				2,500		
Photocopy				13,151		
Hire of Venue				1,235,442		
Flight and Travel Expenses				35,310		
Stationery Costs				1,895		
Stationery Expenses				1,552		
Donations (Towards CSR)				10,000		
Salaries and Wages				25,000		
Mobile (Mobile Telephone)				1,000		
Mileage Travel Claim				359,470		
Travel Expenses				170,490		
Examination Development Expense				8,250,548		
10 Cash and Cash Equivalents	Own Funds	Grant	Totals	Own Funds	Grant	Totals
Total Income collected	10,687,900.00		10,687,900.00	3,461,000	-	3,461,000
Add Balance b/d	3,461,000.00		3,461,000.00			
Add Grant Absorbed	14,148,900.00		14,148,900.00			
Subtract Prepayment	4,747,553.29		4,747,553.29			
Total Income Available	64,875.00		64,875.00			
Less Expenses	18,831,578.29		18,831,578.29			
Total Recurrent Expenses			-			
Total Non Current Expenses	10,413,657.68		10,413,657.68			
Cash Balance after Operations	385,000		385,000.00			
Cash refundable to KISM			-			
Less Share of Income	4,225,207.50		4,225,207.50			
Balance as at 31st December	3,807,713.11		3,807,713.11	3,461,000	-	3,461,000
11 Grant Accounting						
Transfers		4,747,553		17,244,040		
Total Available Transfers		4,747,553		17,244,040		
Less: Total Expenditure						
Development				8,250,548		
Recurrent		4,747,553		9,023,492		
Balance from Transfers		-	-	(30,000)		
12 Examination Refunds						
Deferment				57,375		57,375
Withdrawals				7,500		7,500
Total Examination Refunds				64,875	64,875	64,875
13 Payables						
Share of income	4,225,208		4,225,208	1,018,837.50		1,018,838
Suppliers	385,000		385,000	30,000.00		30,000
Total Payables	4,610,208	-	4,610,208	1,048,838	-	1,048,838

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Notes to the financial statements continued

14 Intangible Assets

	Softwares/ Intangible Assets		
	25%		
As at 1st Jan 2016	-		-
Additions	770,000		770,000
Disposals	-		-
Total Cost	770,000	-	770,000
Amortisation			
As at 1st Jan 2016	-		-
Charge for the Year	192,500	-	192,500
Disposal	-		-
As at 31st December 2016	192,500	-	192,500
Net Book Value			
As at 31st Dec 2016	577,500	-	577,500
As at 31st Dec 2015	-	-	-

NATIONAL GOVERNMENT ENTITY - (indicate actual name of the entity)

Reports and Financial Statements

For the year ended June 30, 2014 (Kshs'000)

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost	Historical Cost
	(Kshs)	(Kshs)
	2014/15	2013/14
Land	-	-
Buildings and structures	-	-
Transport equipment	-	-
Office equipment, furniture and fittings	-	-
ICT Equipment, Software and Other ICT Assets	-	-
Other Machinery and Equipment	-	-
Heritage and cultural assets	-	-
Intangible assets	-	-
Total	-	-

