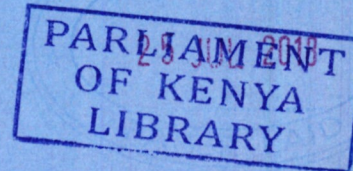


REPUBLIC OF KENYA



*Paper laid by the  
Leader of majority Party  
Mr. P. O. Njiru  
25/07/2018*

OFFICE OF THE AUDITOR-GENERAL



**REPORT**

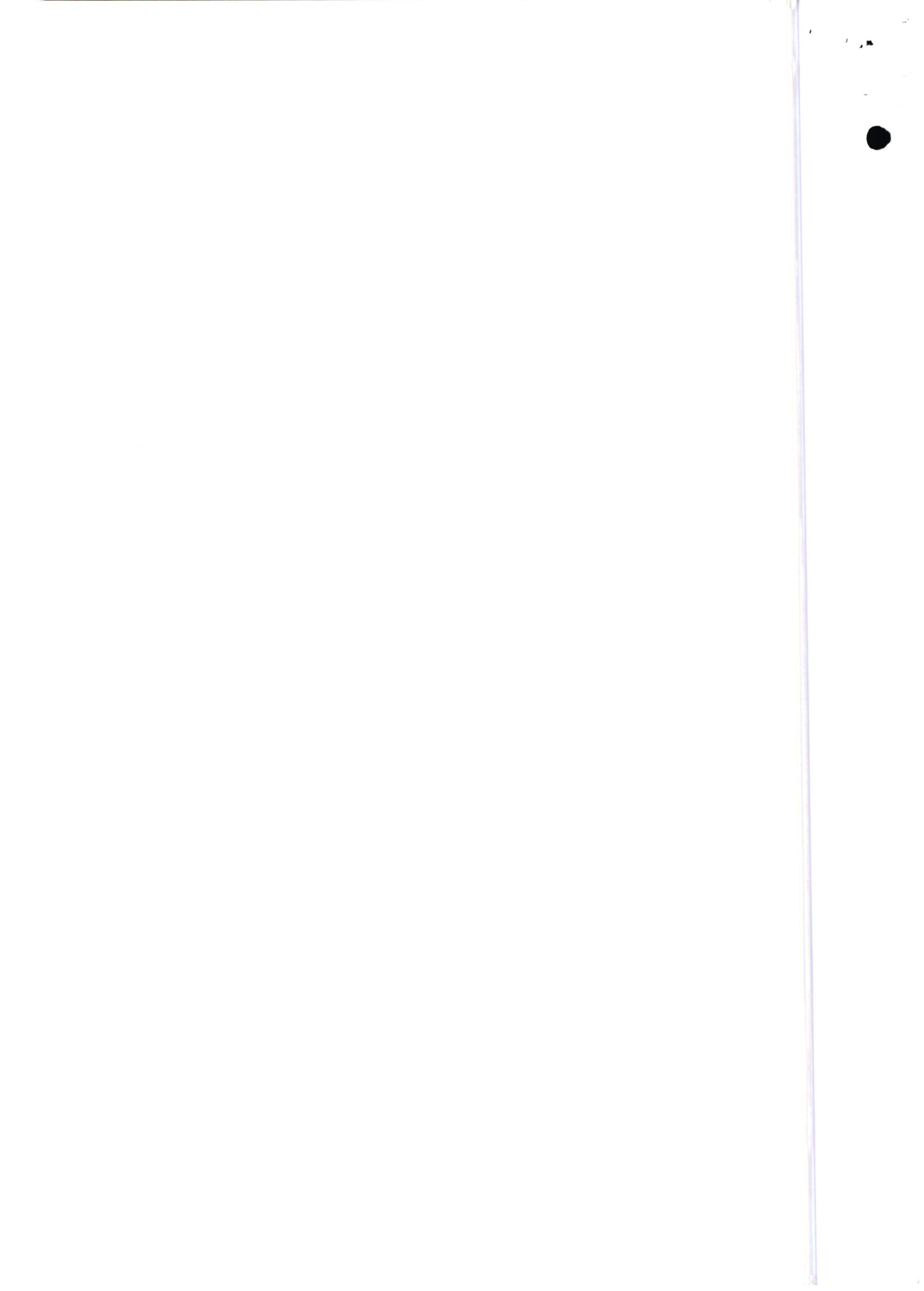
**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
FOOTBALL CLUB (FC) TALANTA**

**FOR THE EIGHTEEN (18) MONTHS  
PERIOD ENDED 30 JUNE 2017**



**KENYA ACADEMY OF SPORTS**  
**SPORTS INCUBATOR PROJECT**

---



**FC TALANTA**

**REPORT AND FINANCIAL STATEMENTS FOR THE EIGHTEEN (18) MONTHS ENDED  
30<sup>TH</sup> JUNE, 2017**

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

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*FC Talanta team*

### **1.2 Transition Model to KAS**

KAS is indeed a state corporation established by the Sports Act 2013 and purposed to carry out general sports talent development through a coordinated and centralized approach made up of three themes (*See figure 1 below*). The first theme focusing on the sports competitor (the athlete) having transited from DoS and NYTA programmes, the second theme focusing on the sports technician (the personnel) having transited from KNSI programmes and the third theme focusing on sports research and records (the knowledge) originating from the essence of continuous improvement relative to the first two themes. Resulting from this arrangement and acknowledging the international stature associated with sports, the construction of the international academy of sports is not only a priority of KAS but a flagship project under the Kenya Vision 2030 (KV2030).

## **I. KEY ENTITY INFORMATION AND MANAGEMENT**

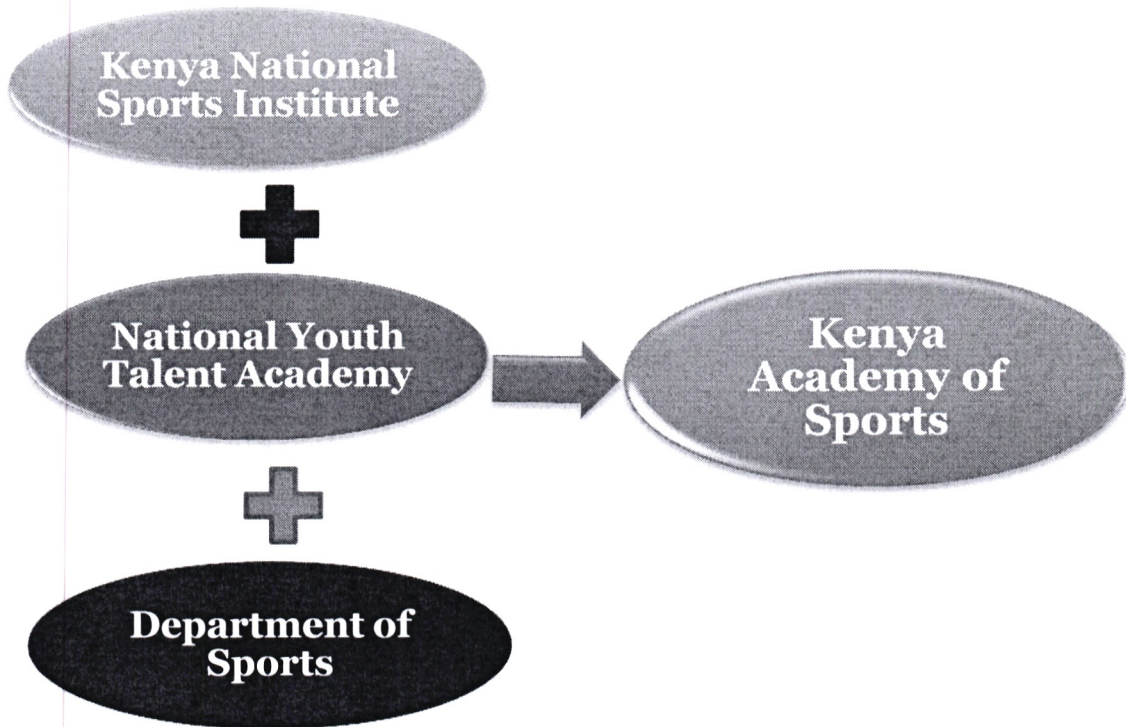
### **(a) Background information**

#### **1.1 The National Youth Talent Academy**

The NYTA was established in the year 2010 as a programme to identify, nurture and develop sports talent among youth with a view of eventually making a livelihood therefrom. NYTA was born out of a situation analysis carried out by both United Nations International Children's Emergency Fund (UNICEF) and the former Ministry of Youth Affairs and Sports (MoYAS) to find out why most victims of the 2007/8 post-election violence were youth. NYTA was mandated to;

- Oversee and manage operations with relevant stakeholders
- Identify and develop talented youth in diverse disciplines
- Register and license all youth talent development institutions
- Collaborate with similar institutions regionally, nationally, and internationally, to promote youth talent development
- Co-ordinate youth talent development institutions in the country to ensure talented youth develop through structured organizations
- Safe guard and protect talented youth from any form of exploitation
- Provide advocacy and resource mobilization in talent development

The first one hundred (100) students were admitted on 19<sup>th</sup> March, 2010 at Karen in four disciplines including music and dance, football, volleyball as well as film and theatre. Admission to NYTA was through competitive trials and auditions carried out at county level in collaboration with respective sports federations and other stakeholders. Selected cohorts underwent six months intensive training carried out in Karen and then later the Moi International Sports Centre (MISC), Kasarani. After which an exit strategy was developed for each team. The last cohort graduated on 24<sup>th</sup> May, 2014. It is during this graduation ceremony that the UNICEF, the sponsors of the programme, handed over the programme to the Ministry of Sports, Culture and the Arts (MoSCA) but with a commitment that they will continue to offer technical support and also pledged Ksh.15 Million to support the ongoing construction of phase one of the Sports Academy. The first group of football graduates formed FC Talanta which is being sponsored by Communication Authority of Kenya (CA). The team is currently playing in National Super League.



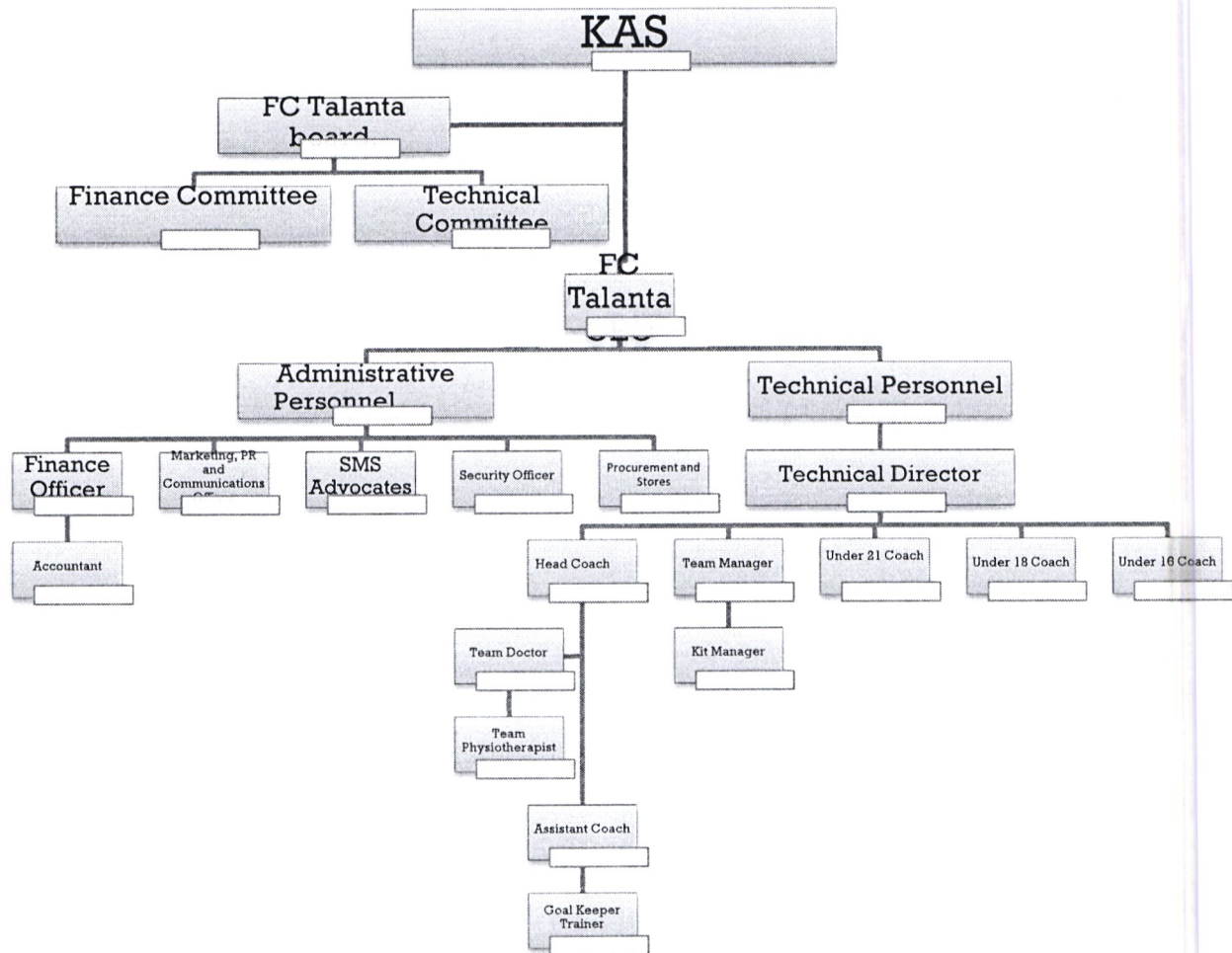
***Figure 1: Transition model into KAS***

The goal of the project is among other things to contribute to diversification of sports, boosting of the country's' economy by transforming sports into a mega industry, creation of job opportunities for Kenyans, promote healthy habits and high living standards, stimulate national cohesion and unity, combat vicious habits amongst the youth and enhance the fight against non-communicable and communicable diseases.

The NYTA has henceforth been absorbed into the KAS where by in the initial arrangements, its activities have been integrated within the talent search and development directorate which then plays an oversight role in the management of FC Talanta.

**Kenya Academy of Sports  
Incubation Project (FC- TALANTA)  
Reports and Financial Statements  
For the year ended June 30, 2017**

**Key Management**



**(b) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

No.	Name of Officer	Designation.
1.	Ann Wanjiru Mahihu	-Chairperson
2.	Nicodemus Bore	-Treasurer
3.	Douglas Ratemo	-Club secretary

**(a) Principal Activities**

- i. Completed FC Talanta Strategic Plan 2017 – 2022.
- ii. Developed FC Talanta Website.
- iii. Playing in the Kenya National Super League 2018

**(c) Key Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

No.	Name of Officer	Design.
1.	Ann Wanjiru Mahihu	Club Chairperson
2.	Nicodemus Bore	Club Treasurer
3.	Douglas Ratemo	Club Secretary.
4.	Jacob Ghost Mulee	Technical Director
5.	James Theuri	Board member
6.	Rachel Alwala	Board member

**E. AUDIT AND COMPLIANCE COMMITTEE**

The members include

- Ann Wanjiru Mahihu -Club treasurer
- John Okwemba -KAS
- Nicodemus Bore -Member

**e) Independent Auditors**

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

**g) Principal legal adviser**

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

**a) Entity Headquarters**

P.O. Box 9056 - 00200  
Moi International Sports Centre, Kasarani  
Indoor Arena  
Kasarani  
Nairobi, KENYA





**b) Entity Contacts**

Telephone: (254) 020 2211460  
E-mail: [info@fctalanta.co.ke](mailto:info@fctalanta.co.ke)  
Website: [www.fctalanta.co.ke](http://www.fctalanta.co.ke)




**c) Entity Bankers**

1. Jamii Bora bank  
Koinange Street  
P.O Box 22741  
Mobile No.0722201112
2. Equity Bank  
Moi Avenue  
Nairobi




**II. THE BOARD OF DIRECTORS**

<p>1. Ann Wanjirui Mahihu</p> 	<p><b>Chair Person</b> Bachelor of Arts, International Business administration</p>
<p>2. Douglas Ratemo</p> 	<p>Ag. Director Talent Development Kenya Academy of Sports <b>Club secretary</b></p>
<p>Nicodemus Bore</p> 	<p>MBA(Education),Business Leadership CEO,KSSHA(Kenya Secondary Schools Heads Association) Board Member</p>
<p>4 James Theuri</p> 	<p>Principal Sports officer (Kirinyaga County) BA(Anthlopology)</p>

**Kenya Academy of Sports  
Incubation Project (FC- TALANTA)  
Reports and Financial Statements  
For the year ended June 30, 2017**

 <p>Rachel Alwala</p>	<p>D. o. B: 03/09/1973 CA(K) Representative</p>
 <p>Jacob Ghost Mulee</p>	<p>Technical Director (FC Talanta) Radoo Jambo presenter</p>
 <p>John Okwemba</p>	<p>Linkages and Partnerships Board Member Kenya Academy of Sports</p>

**III. MANAGEMENT TEAM**

 <p>Name: Byron Juma</p>	<p>Operations and communication Date of Birth:27<sup>th</sup> June,1989 Professional/Academic Qualifications: Bachelors of Science (Sports Management)</p>
 <p>Name: Daisy Kipkech</p>	<p>Finance Date of Birth:20<sup>th</sup> December,1984 Professional/Academic: CPA part III. Diploma In Banking and Finance</p>
 <p>Name: Charles Kamau</p>	<p>Procurement Date of Birth:12<sup>th</sup> May,1987 Professional/Academic Qualifications: Bachelors of Business Management(Procurement) Diploma in Purchasing and supplies Management</p>

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

FC Talanta has made huge steps over the years of its existence. The financial year 2016/2017 was a year full of ups and downs. Starting off strongly, the team faltered along the way due to loss of players to other teams who were offering better terms of remuneration. That notwithstanding, the team managed to collect itself and posted positive results.

With the recruitment of a new technical bench and bolstering of our playing unit through a recruitment drive, we are looking forward to a promising and competitive season which Talanta will pose a considerable threat to all teams in the league. With such, we are optimistic that all will go as planned. We are grateful to the Communication Authority of Kenya for the support extended to the team for over five years. The support has allowed the club to develop young and upcoming talents by giving them a platform to improve their skill and offload them to other clubs in the country.

On behalf of the management and the board, we are focused on delivering quality training programs to the players and developing them through other necessary training not limited to life skills. We are targeting to finish top five in the 2018 season besides offloading at least 3 players to the Kenya Premier League Clubs.

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

In the eyes of Nelson Mandela, sports is a universal language that speaks to the youth in a language that they understand most. It is this language that has brought together 30 young men who form FC Talanta playing unit.

Coming from a backdrop of thorough and extensive recruitment drive, the team has formed a solid team that is making commendable strides. The team has been able to win 4 matches and sits at position 3. This has been attributed to the professionalism of recruitment and training with clear goals and objectives.

With the metamorphosis of the club into a competitive outfit, the Academy is working on modalities to improve the youth program through continued scouting of young players throughout the country. The desired goal of the Academy is to see guide the club to greater heights through provision of technical support and any other sponsorship in kind.

The Academy is grateful to the Communications Authority of Kenya for the unrelenting support extended to the club. As we face 2018, I am optimistic and certain that the set goals and objectives will be achieved.

## **VI. MANAGEMENT DISCUSSION AND ANALYSIS**

The management at the FC Talanta consists of the CEO, the operations manager and the technical management. There have been key performances operationally, the department of talent development is continuing in the endeavor of developing norms and standards for talent identification and selection in partnership with institutions of higher learning and the ongoing construction of the international sports academy. There have also been several coaching courses offered to technical and administration personnel and life skills courses offered to sports incubus under the Kenya academy of sports. Director talent development has also seen the conduction of holiday sports camps for school going children in seven sports disciplines during school holidays. Underway is the development and implementation of curricula in sports talent academies in conjunction with Kenyatta university that is in its final stages and finally the criteria for employment in the talent academies.

The Directorate of Linkages, Partnerships and Collaborations has been promoting linkages, Partnerships and Collaborations with Institutions of Higher Learning-Kenyatta university, Nairobi university-through research and provision of internships to students. There has also been the forging of Memorandum of Understandings (MOUs) between Kenyatta university, County governments, and football clubs for purposes of advancing mutual interests, shared goals, ideas and information, tailored towards working together to achieve the goals of vision 2030. These MOUs and collaborations include and not limited to the following; Kenyatta University, FC Talanta Football Club, Acakoro Football Academy, Communications Authority of Kenya, UNICEF and Jamii Bora Bank respectively.

The research directorship has developed a manual for sports research strategy, policies, systems and procedures to govern on the way research is conducted at the Kenya academy of sports. It is also under the sports research directorship that the KAS strategic plan was developed and implemented. Ongoing are several studies; the mapping of sports talent across Kenya counties and the assessment of the number of professionally qualified technical sports personnel in Kenya.

The director corporate services have been updating administrative policies, systems and procedures for and informing the employees through workshops. There has also been the conduction of employee performance, standards and mechanisms to ensure compliance with the Constitution, in consultation with the CEO Kenya Academy of Sports. The directorship has also seen the compilation of directorate and council reports and Coordination of information exchange with the relevant sports stakeholders and the public to ensure client expectations are met. Finally, the directorship has offered leadership

## **VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

The Academy of Sports undertook several activities that were aimed at promoting the co-operate image of the organization as well as contributing to the social capital of the society.

The MASPO (Masomo Sport Initiative) program started in July 2016 has seen over 10,000 schools going children in Jericho access nine different sports disciplines. This program has seen children completely and fully utilizes their free time gaining meaningful sport specific technical skill and life-long skills. The program is school based where children access the programs during their normal school days. This has encouraged school attendance and consequently reduced absenteeism and truancy. During the school holidays, children are invited to attend the programs run by MASPO with representations from well over 18 schools.

The Academy of Sports has issued over 1,400 chessboards to counties and schools alike. Recently the Academy of Sports supported the chess tournament at Lenana high School by issuing 150 chessboards. The counties that have benefited from the issuance of chessboards include Kisii, Nairobi, Kirinyaga, Nyandarua, Kiambu, Baringo, Murang'a, Narok, Kericho, Nandi, Kisumu, Siaya, Lamu, Kilifi, Mandera, Wajir, Embu, Meru, Tharaka-Nithi, Marsabit, Isiolo, Nyeri, Makueni, and Kakamega Counties. This initiative has encouraged access to mental sports which is set to continue inspiring creativity and criticality in thinking.

The Academy of Sports through its incubator program (FC Talanta) has benefited over 30 youth who are engaged fully engaged and gaining a steady income while developing their talents. The players get an opportunity to play in a competitive league (Football Kenya Federation, National Super League). The players are exposed to several trainings that purpose to develop them into all round citizen who can meaningfully contribute to nation building. They are trained on Sports Nutrition, Financial Management, and Anti-Doping Education among many other. The organization is purposing to introduce vocational training where the players can access technical skills that are important and vital when their playing years are over.

In April 2017, together with Acakoro Football Academy and Football Kenya Federation organized a one-week Football Level One Coaching course that benefited 30 youth with a passion in coaching. The training was organized in such a way that the coaches had firsthand experience of coaching children and teenagers as each day, a team of young players joined the team for practical session in the

training and professional development to ensure compliance with labor and employment laws. Below is the Compliance report on statutory requirements

Major risks facing the youths joining the academy include drug abuse, unsafe sexual practices, and destructive leisure practices due to unemployment that they are countered with, political instabilities and influences that distort the time specific plans for academy's operations. Additionally, inadequate financial support hinders the efficient operations of the academy through running of sports academies, provision of technical courses and life skills for the youth. There is also the improper implementation of sports programs across Kenyan institutions that strain the performance and development of sports disciplines in the country.

## **VIII. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the Kenya Academy of Sports affairs.

### **Principal activities**

The principal activities of the Kenya Academy of Sports are-

- To secure sponsorship from reputable organization's and adopt Kenya Academy of Sports football graduate class into a professional team.
- To provide direct and sustainable employment for the youth (team members) that will enable them to earn decent livelihoods.
- To develop framework for mobilization of resources by the club.
- To reach directly or indirectly 10 million out of school youth country wide through the teams' sporting activities
- To brand and publicize CAK with appropriate information
- To undertake social responsibility for the CAK
- To represent CAK in the annual KECOSO games.

### **Vision**

*A premier football club that permits young players to reach their full potential*

### **Mission**

*To promote, foster, and develop youth football in Kenya*

### **Results**

The results of the Kenya Academy of Sports( FC – Talanta) for the year ended June 30, 2017 are set out on page 1.

### **Directors**

The members of the Board of Directors who served during the year are shown on page VIII . During the year/period ended June 30, 2017 no director has retired or resigned.

afternoon. The coaching was conducted by the national coach, Stanley Okumbi. The non-residential training took place in Moi International Sports Centre, Kasarani.

**IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 require the Directors to prepare financial statements in respect of Kenya Academy of Sports, which give a true and fair view of the state of affairs of the Kenya Academy of Sports at the end of the financial year and the operating results of Kenya Academy of Sports for that year. The Directors are also required to ensure that Kenya Academy of Sports keeps proper accounting records which disclose with reasonable accuracy the financial position of Kenya Academy of Sports. The Directors are also responsible for safeguarding the assets of Kenya Academy of Sports.

The Directors are responsible for the preparation and presentation of the Kenya Academy of Sports' financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30, 2017. This responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of Kenya Academy of Sports;
- (v) selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for Kenya Academy of Sports' financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that Kenya Academy of Sports' financial statements give a true and fair view of the state of Kenya Academy of Sports' transactions during the financial year ended June 30, 2017, and of Kenya Academy of Sports' financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Kenya Academy of Sports, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The FC Talanta financial statements were approved by the Board on \_\_\_\_\_ 2017 and signed on its behalf by:

**Director Talent Development KAS**

**Head of Finance**

**C.E.O Kenya Academy of Sports**

Name: Darius Ratembo

Name: JAMES M. KILONZO

Name: WADON OLUOCK

Sign: [Signature]

ICPAK Member Number  
Sign: [Signature]

Sign: [Signature]

Date... 30.5.2018

Date... 30.5.2018

Date... 30.5.2018

# REPUBLIC OF KENYA

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Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON FOOTBALL CLUB (FC) TALANTA FOR THE EIGHTEEN (18) MONTHS PERIOD ENDED 30 JUNE 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of Football Club Talanta set out on pages 1 to 19, which comprise the statement of financial position for the eighteen (18) months period ended 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the period then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief was necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of FC Talanta as at 30 June 2017, and of its financial performance and its cash flows for the period then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Sports Act, 2013.

In addition, as required by Article 229(6) of the Constitution, based on the procedures carried out, I confirm that public money has 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 FC Talanta 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 Matters

Key audit matters are those that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Other

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*Report of the Auditor-General on the Financial Statements of Club (Fc) Talanta for the Eighteen (18) months period ended 30 June 2017*

Matter section of my report, I determined that there were no Key Audit Matters to communicate in my report.

## Other Matter

### 1. Budget and Budgetary Performance

#### 1.1 Revenue

FC Talanta was during its formation stages financed through donations from the Communications Authority of Kenya (CAK) and received Kshs.23,000,000 in 2016/2017 financial year and also received payment of Kshs.11,500,000 pledged during the last quarter for 2015/2016 to cover the 18 months under review as indicated below:

Revenue head	Budget Kshs.	Actual Kshs.	Excess/(shortfall) Kshs.	Excess/(shortfall) %
Donations - CAK	34,500,000	34,500,000	0	0
Interest received	0	689,511	689,511	100
<b>Total</b>	<b>34,500,000</b>	<b>35,189,511</b>	<b>689,511</b>	<b>2</b>

#### 1.2 Expenditure

FC Talanta had budgeted to spend Kshs.35,400,000 in the eighteen (18) months ended 30 June 2017 but the actual expenditure amounted to Kshs.36,299,105 thus incurring an over expenditure of Kshs.889,105 or 3% as tabulated below:

Expenditure	Budget Kshs.	Actual Kshs.	Over/(Under (-) Kshs.	Over/(under) %
Employee Costs	19,188,000	20,961,347	1,773,347	9
Remuneration of the Board	900,000	1,064,450	164,450	18
General Expenses	15,312,000	14,050,665	-1,261,335	(8)
Finance Cost	0	222,643	222,643	100
<b>Total</b>	<b>35,400,000</b>	<b>36,299,105</b>	<b>899,105</b>	<b>3</b>

The over expenditures mainly occurred under employee costs where an amount of Kshs.19,188,000 was budgeted for but Kshs.20,961,347 was incurred resulting to an over expenditure of Kshs.1,773,347 or 9%. Remuneration of the Board was also over spent by Kshs.164,450 or 18% while an over-expenditure of Kshs. 1,261,335 or 8% occurred under general expenses.

## **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 FC Talanta's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Club or to cease operations, or have no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing FC Talanta'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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 FC Talanta's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on FC Talanta's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause FC Talanta to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of FC Talanta to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

**Nairobi**

**28 June 2018**

**X. STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2016-2017 Kshs	2015-2016 Kshs
<b>Income from Non-Exchange Transactions</b>			
CA(K)- FCTALANTA	1.(a)	34,500,000	-
		<u>34,500,000</u>	<u>-</u>
<b>Income from exchange transactions</b>			
Other Income	2.0	689,511	-
		<u>689,511</u>	<u>-</u>
<b>Total revenue</b>		<u><b>35,189,511</b></u>	<u><b>-</b></u>
<b>Expenditures</b>			
Employee costs	3.0	20,961,347	-
Remuneration of Board	4.0	1,064,450	-
General Expenses	5.0	13,105,431	-
Finance Cost	7.0	103,427	-
		<u>35,234,655</u>	<u>-</u>
<b>Surplus/(Deficit) for the period</b>		<u><b>(45,144)</b></u>	<u><b>-</b></u>

The notes set out on pages 5 to 18 form an integral part of these Financial Statements

**Director Talent Development KAS**

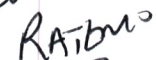
**Head of Finance**

**C.E.O Kenya Academy of Sports**

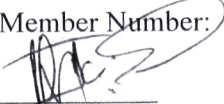
Name: DOUGLAS

Name: JAMES M. KILONZO

Name: GORDON OLUOCH

Sign: 

ICPAK Member Number:

Sign: 

Sign: 

Date.....

Date.....

Date: 30.5.2018

**XII. STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2017**

	Notes	2016-2017 Kshs	2015-2016 Kshs
<b>Assets</b>			
<b>Non Current Assets</b>			
Fixed Assets	9.0	1,874,720	-
<b>Total Non Current Assets</b>		<b>1,874,720</b>	<b>-</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	6.0	12,080,517	-
<b>Total Current Assets</b>		<b>12,080,517</b>	<b>-</b>
<b>Total Assets</b>		<b>13,955,237</b>	<b>-</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payables from Non -exchange transactions		-	-
Deferred Income	1.(b)	11,500,000	-
<b>Total Liabilities</b>		<b>11,500,000</b>	<b>-</b>
<b>Net Assets</b>			
Surplus / (Deficit) for the year	8.0	(45,144)	-
Capital Reserve(Accumulated Fund)	1.(c)	2,500,382	-
<b>Total Net Assets</b>		<b>2,455,237</b>	<b>-</b>
<b>Total Liabilities &amp; Net Assets</b>		<b>13,955,237</b>	<b>-</b>

The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:

**Director Talent Development KAS**

**Head of Finance**

**C.E.O Kenya Academy of Sports**

Name: Douglas RATOMO  
 Sign: [Signature]

Name: JAMES M. KILONZO  
 ICPAK Member Number:  
 Sign: [Signature]

Name: LORDON OLUOCH  
 Sign: [Signature]

Date: 30.5.2018

Date: 30.5.2018

Date: 30.5.2018

**Kenya Academy of Sports  
Incubation Project (FC- TALANTA)  
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For the year ended June 30, 2017**

**XIII. STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2017**

	Attributable to the Kenya Academy of Sports				TOTAL
	Self-insurance reserve	Reserves Capital replacement development reserve/Capital Reserve	Revaluation Reserves	Accumulated surplus	
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Balance as at 1 July 2015</b>	-	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-	-
Transfers to/from accumulated surplus	-	-	-	-	-
Transfer of excess depreciation on revaluation			-	-	
Grants received during the year		-			
Revaluation gain			-		
<b>Balance as at 30 JUNE 2016</b>	-	-	-	-	-
<b>Balance as at 1 July 2016</b>	-	<b>2,500,382</b>	-	-	<b>2,500,382</b>
Surplus/(Deficit) for the period	-	-	-	(45,144)	(45,144)
Transfers to/from accumulated surplus	-	-	-	-	-
Transfer of excess depreciation on revaluation			-	-	
Deferred income received during the year		-	11,500,000		11,500,000
Revaluation gain			-		
<b>Balance as at 30 JUNE 2017</b>	-	<b>2,500,382</b>	<b>11,500,000</b>	<b>(45,144)</b>	<b>13,955,238</b>

**XIV. STATEMENT OF CASH FLOWS  
 AS AT 30 JUNE 2017**

	<u>Notes</u>	2016-2017 Kshs	2015-2016 Kshs
<b>Cash flows from operating</b>			
Surplus / (Deficit) for the year	8.0	(45,144)	-
<b>Adjustments for</b>			
Depreciation for the Year		625,661	-
<b>Operating surplus /(Deficit) before</b>		<b>580,517</b>	-
<b>Working Capital Changes</b>			-
Increase/decrease in deferred Income	1.(b)	11,500,000	-
<b>Net cash flow from operating Activities</b>		<b>12,080,517</b>	-
<b><u>Cash flow from investing activities</u></b>			
<b>Net cash flow from Investing activities</b>			-
<b>Cash flow from Financing activities</b>			
<b>Net cash flow from Financing activities</b>			
<b>Net increase in cash and cash Equivalents</b>		<b>12,080,517</b>	-
Cash and Cash equivalents At the start of the year		-	-
<b>Cash and Cash equivalents at the end of the year</b>	6.0	<b>12,080,517</b>	-

**Director Talent Development KAS**

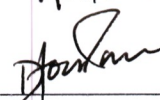
**Head of Finance**

**C.E.O Kenya Academy of Sports**

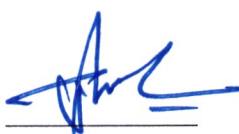
Name: DOUGLAS RAIMO

Name: JAMES M. KIBOZO

Name: GORDON OLUOCH

Sign: 

ICPAK Member Number:  
 Sign: 

Sign: 

Date: 30.5.2018

Date: 30.5.2018

Date: 30.5.2018



Kenya Academy of Sports  
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XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR EIGHTEEN (18) MONTHS  
FOR THE PERIOD ENDED 30 JUNE 2017

FC TALANTA BUDGET

Line Item	Budget JAN- JUN 2016	Budget FY2016/2017	BUDGET TOTAL JAN 2016-JUN 2017 (18MONTHS)	ACTUAL JAN 2016-JUNE 2017 (18MONTHS)	Performance Difference Over/(Under)	Performance Difference%	Final Budget 10% Growth
	(KES)	(KES)	(KES)	(KES)	(KES)	%	(KES)
<b>RECIPTS/INCOME</b>							
Grants From CAK	11,500,000	23,000,000	34,500,000	34,500,000	-	-	37,950,000.0
Interest Received			-	689,511	689,511	100.0	-
<b>Total Income</b>	<b>11,500,000</b>	<b>23,000,000</b>	<b>34,500,000</b>	<b>35,189,511</b>	<b>689,511</b>	<b>100.0</b>	<b>37,950,000.0</b>
<b>EXPENDITURE</b>							
Salaries	6,396,000	12,792,000	19,188,000	20,961,347	1,773,347	9.2	21,106,800.0
Health Insurance	50,000	100,000	150,000	486,250	336,250	224.2	165,000.0
Winning Allowances	770,000	1,540,000	2,310,000	327,500	(1,982,500)	(85.8)	2,541,000.0
Sports gear	550,000	1,100,000	1,650,000	1,596,023	(53,977)	(3.3)	1,815,000.0
Trav/Accom/Meals	200,000	500,000	700,000	629,400	(70,600)	(10.1)	770,000.0

**Kenya Academy of Sports  
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Games Operations	1,490,000	2,880,000	4,370,000	5,333,795	963,795	22.1	4,807,000.0
KECOSO	1,000,000	2,000,000	3,000,000	2,903,255	(96,745)	(3.2)	3,300,000.0
Legal Fees	125,000	250,000	375,000	250,000	(125,000)	(33.3)	412,500.0
Insurance (Bus)	129,000	258,000	387,000	218,981	(168,019)	(43.4)	425,700.0
Board Meetings	300,000	600,000	900,000	1,064,450	164,450	18.3	990,000.0
Office Stationery	20,000	40,000	60,000	48,400	(11,600)	(19.3)	66,000.0
Corporate Social Responsibility	50,000	100,000	150,000	68,050	(81,950)	(54.6)	165,000.0
Repair and Service of Vehicle	100,000	200,000	300,000	263,800	(36,200)	(12.1)	330,000.0
Auditing	50,000	100,000	150,000	94,000	(56,000)	(37.3)	165,000.0
Player International Trials	120,000	240,000	360,000	141,100	(218,900)	(60.8)	396,000.0
Depreciation	150,000	300,000	450,000	625,661	175,661	39.0	495,000.0
Interest paid	-	-	-	103,427	103,427	100.0	-
Bank Charges				119,216	119,216	100.0	-
<b>Total Expenditure</b>	<b>11,500,000</b>	<b>23,000,000</b>	<b>34,500,000</b>	<b>35,234,655</b>	<b>734,655</b>	<b>2.1</b>	<b>37,950,000.0</b>
Surplus / (Deficit)	-	-	-	(45,144.00)	(45,144.00)		

**Kenya Academy of Sports  
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<b>Item</b>	<b>Explanation</b>
Health Insurance	The club had opted for NHIF to cover the players injures and sicknesses and since it was not very convenient the management decided to secure an insurance cover policy to cover the players against personal accidents i.e. during injuries in the course of their training.
Winning Allowance	The budget was overspent because the player won more matches than the club anticipated.
Games Operations	Initially FKF had assigned 34 matches games for the year 2015/2016.however in 2016/2017 FKF revised the matches played in the national super league to 38 matches. This brought about the over expenditure.
Board Meetings	Board meetings held in 2015 including KECOSO matches expenses had not been settled until 2016 which led to the over expenditure.
Office Stationery	There was underutilization under office stationery because the toner were not purchased as anticipated since they were not yet exhausted.
Corporate Social Responsibility	The club did not participate in any CSR project in the year 2016/2017 thus led to underutilization of the budgeted amount.
Repair and Service of Motor Vehicles.	There was minimal repair and maintenance of the club bus as compared to the expected expenses on bus repairs, service and maintenance.
Audit Fee	Fc Talanta books of accounts were audited in 2016 and the club was also supposed to be audited for the year 2017 which has not been done at the moment hence the underutilization of the budgeted amount.
Players International Trials	During the period of 18 months the club did not manage to send any player for international trials hence the budget was utilized on the club website which had not been budgeted for.



## **XVI. NOTES TO THE FINANCIAL STATEMENTS**

### **1. Statement of compliance and basic of preparation – IPSAS 1**

The academy's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) The financial statements are presented in Kenya shillings, which is the function and reporting currency of the academy and all values are rounded to the nearest thousands (Ks000). The accounting policies have been consistently applied to all the years presented.

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

### **2. Summary of significant accounting policies**

#### **a) Revenue recognition**

##### **i. Revenue from non-exchange transactions – IPSAS 23**

Fees, taxes, and fines

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

Transfers from other government entities

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

##### **ii. Revenue from exchange transactions – IPSAS 9**

Rendering of services

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

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

##### **iii. Sales of services**

Revenue from the sale of services is recognized when the significant and rewards of ownership have been transferred to the buyer, usually on delivery of the service and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the academy.

### **Interest income**

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

**b) Budget information – IPSAS 24**

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

**c) Taxes - IAS 12**

The Kenya Academy of Sports is exempt from income tax under the First schedule, paragraph 10 of the Kenyan Income Tax Act (Cap 470).

**Sales Tax**

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**d) Property, Plant and equipment – IPSAS 17**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, Cost includes expenditure that is directly attributable to the acquisition of the items. Where an asset is acquired in a non-exchange transaction for nil or normal consideration the asset is initially measured at its fair value. The annual depreciation in use are:

- a. Furniture and Fittings 12.5%
- b. Plant and Equipment 12.5%
- c. Electronic Data Processing Equipment 30%
- d. Motor Vehicles 25%

**e) Intangible assets – IPSAS 31**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

**f) Financial instruments – IPSA 29**

*Financial assets*

*Initial recognition and measurement*

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

*Loans and receivables*

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

*Impairment of financial assets*

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

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

**i) Financial liabilities**

*Initial recognition and measurement*

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

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

### *Loans and borrowing*

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

### **IPSAS 29.65**

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

#### **ii) Research and Development costs**

The academy expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the centre can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at costs less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

#### **g) Provisions-IPSAS 19**

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

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

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement. The centre makes a provision for gratuity for its employees on contract at the rate of 31% of the basic salary. The amount is charged against income in the year in which it is earned.

### *Contingent Liabilities*

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

### *Contingent Assets*

The centre does not recognize a Contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the centre in the notes to the financial statements. Contingent asset are assessed continually to ensure

that developments are appropriately reflected in the financial the financial statement. It has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**h) Nature and Purpose of Reserves**

The Academy and maintains reserves in terms of specific requirements

**i) Foreign currency transactions-IPSAS 5**

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

**j) Borrowing costs –IPSAS 5**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of asset is complete. Further borrowing costs are charged to the statement of financial performance

**Kenya Academy of Sports  
Incubation Project (FC- TALANTA)  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

1.(a) <b>Income from Non-Exchange Transactions CA (K)-FCTALANTA</b>	<b>2016-2017 Kshs</b>	<b>2015-2016 Kshs</b>
Income grant Y2016	23,000,000	-
Income grant Half Year2017	11,500,000	-
	<b>34,500,000</b>	<b>-</b>

\*NB - Income reported in 1.(a) is for one and half year as shown above

1.(b) <b>Deferred Income</b>	<b>2016-2017 Kshs</b>	<b>2015-2016 Kshs</b>
Income Received in Advance	11,500,000	-

1.(c) <b>CAPITAL Reserve</b>	<b>2016-2017 Kshs</b>	<b>2015-2016 Kshs</b>
Accumulated Fund	2,500,382	-
	<b>2,500,382</b>	<b>-</b>

2.0 <b>Income from the Exchange Transactions Other Income</b>	<b>2016-2017 Kshs</b>	<b>2015-2016 Kshs</b>
Interest Received	689,511	-
	<b>689,511</b>	<b>-</b>

3.0 <b>Employees Costs</b>	<b>2016-2017 Kshs</b>	<b>2015-2016 Kshs</b>
Salaries	20,961,347	-
<b>Total Employee Cost</b>	<b>20,961,347</b>	<b>-</b>

**Kenya Academy of Sports  
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	2016-2017	2015-2016
	Kshs	Kshs
<b>4.0 Board Remunerations</b>		
Board sitting allowances	1,064,450	-
	<u>1,064,450</u>	<u>-</u>

	2016-2017	2015-2016
	Kshs	Kshs
<b>5.0 General Expenses</b>		
audit fee	94,000	-
games operations	5,333,795	-
Players int, Trials	141,100	-
Transport	629,400	-
Legal fees	250,000	-
KECOSO match	2,903,255	-
Sports gear	1,596,023	-
corporate social responsibility	68,050	-
Winning allowance	327,500	-
Motor vehicle repairs	263,800	-
Health insurance	455,250	-
Depreciation	625,661	-
Bank charges	119,216	-
Stationaries	48,400	-
M.V Insurance	218,981	-
Health Insurance	31,000	-
	-	-
	<u>13,105,431</u>	<u>-</u>

	2016-2017	2015-2016
	Kshs	Kshs
<b>6.0 Cash and Cash Equivalents</b>		
Cash book Equity A/c	320,760	-

**Kenya Academy of Sports  
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Cash book Jamii A/c	11,759,757	-
	<u>12,080,517</u>	<u>-</u>

	2016-2017	2015-2016
	Kshs	Kshs
7.0 Finance Cost		
Interest paid	103,427	-

	2016-2017	2015-2016
	Kshs	Kshs
8.0 Surplus/ (Deficit) for the year		
Surplus/ (Deficit) for the year	(45,144)	-
	<u>(45,144)</u>	<u>-</u>

<b>9.0 PROPERTY, PLANT AND EQUIPMENTS MOVEMENT SCHEDULE:</b>							
	Building WIP	Motor Vehicles	Plant & Machinery	Office Equipment	Furniture	Total	
	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)	
Cost/Valuation		-	-	-	-	-	
NBV- 1 July 2013		-	-	-	-	-	
Additions	-	5,900,000	-	33,000	-	5,933,000	
Disposals	-	-	-	-	-	-	
Depreciation (Charge for the yr)	-	(1,475,000)	-	(9,900)	-	(1,484,900)	
Transfer/adjustments	-	-	-	-	-	-	
At 30 June 2014	-	4,425,000	-	23,100	-	4,448,100	

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For the year ended June 30, 2017

NBV at 1 July 2014	-	4,425,000	-	23,100	-	4,448,100
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation(Charge for the yr)	-	(1,106,250)	-	(6,930)	-	(1,113,180)
Impairment	-	-	-	-	-	-
At 30 June 2015	-	3,318,750	-	16,170	-	3,334,920
NBV at 1 July 2015	-	3,318,750	-	16,170	-	3,334,920
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation(Charge for the yr)	-	(829,688)	-	(4,851)	-	(834,539)
Impairment	-	-	-	-	-	-
At 30 June 2016	-	2,489,063	-	11,319	-	2,500,382
NBV at 1 July 2016	-	2,489,063	-	11,319	-	2,500,382
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation(Charge for the yr)	-	(622,266)	-	(3,396)	-	(625,661)
Impairment	-	-	-	-	-	-
At 30 June 2017	-	1,866,797	-	7,923	-	1,874,720

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10.0 Transfers from Ministries, Departments and Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred income	Amount recognized in capital fund.	Total grant income during the year
	KShs	KShs	KShs	KShs
Communication Authority (K)	23,000,000	-	-	23,000,000
	11,500,000	11,500,000	-	23,000,000
<b>TOTAL</b>	<b>34,500,000</b>	<b>11,500,000</b>	<b>-</b>	<b>46,000,000</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. Financial Risk Management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

#### (i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

#### (ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

**(iii) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

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

The entity manages foreign exchange risk from future commercial transactions and recognized assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

*Management of interest rate risk*

To manage the interest rate risk, management has endeavored to bank with institutions that offer favorable interest rates.

*Sensitivity analysis*

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

**Capital Risk Management**

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern

**2. Events after the reporting period**

There were no material adjusting and non- adjusting events after the reporting period.

**3. Ultimate and Holding Entity**

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Sports Culture and The Arts. Its ultimate parent is the Government of Kenya.

**4. Currency**

The financial statements are presented in Kenya Shillings (Kshs).

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

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

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

**Guidance Notes:**

This is the first time the Board is being audited