
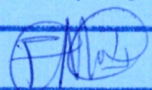


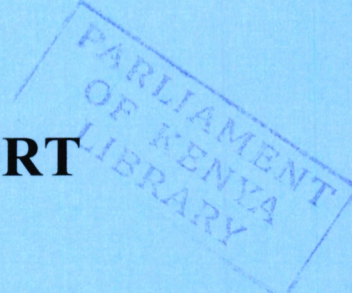
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



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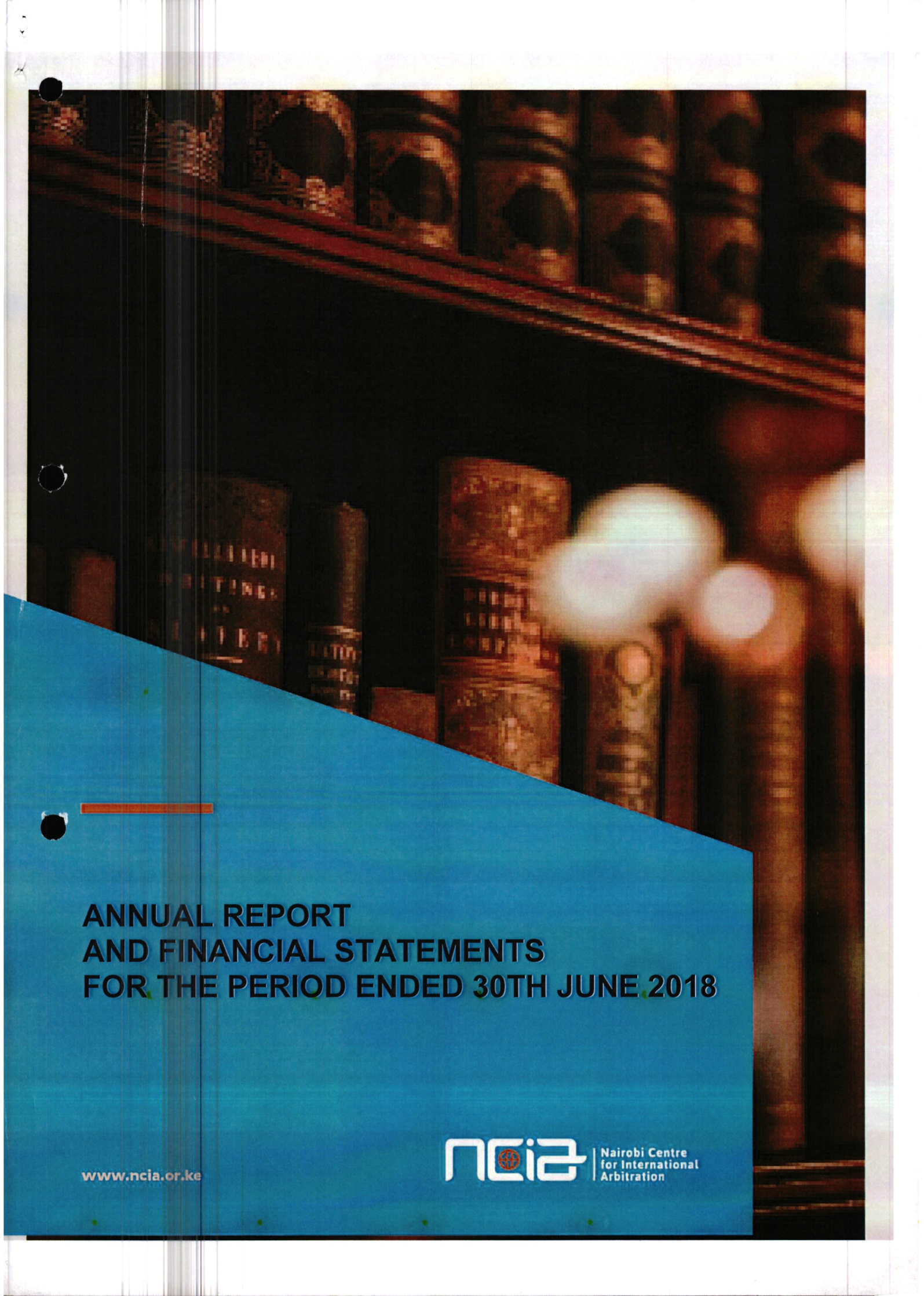
THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NAIROBI CENTRE FOR INTERNATIONAL
ARBITRATION**

**FOR THE YEAR ENDED
30 JUNE 2018**





**ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30TH JUNE 2018**

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for International
Arbitration

Nairobi Centre for International Arbitration
Reports and Financial Statements
For the year ended June 30, 2018



**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30TH JUNE 2018**

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Nairobi Centre for International Arbitration (NCIA) is a state corporation established by an Act of Parliament vide NCIA Act No. 26 of 2013 as a Centre for promotion of international commercial arbitration and other forms of dispute resolution mechanism. The Centre offers a neutral venue for the conduct of international arbitration with commitment to providing institutional support to the arbitral process. In addition, the Centre caters for domestic arbitration and other forms of dispute resolution such as mediation.

The Vision of NCIA is: *"The Premier Centre of Choice for Alternative Dispute Resolution"*. The Mission is: *"To be recognized as a Centre for International Commercial Arbitration and Alternative Dispute Resolution through provision of quality and innovative processes"*. The Core Values are: Fairness and Impartiality; Confidentiality; Integrity; and Efficiency and Effectiveness.

(b) Principal Activities

The principal activity/mission of the **Nairobi Centre for International Arbitration** is to;

- (a) promote, facilitate and encourage the conduct of international commercial arbitration in accordance with this Act;
- (b) administer domestic and international arbitrations as well as alternative dispute resolution techniques under its auspices;
- (c) ensure that arbitration is reserved as the dispute ' resolution process of choice;
- (d) develop rules encompassing conciliation and mediation processes;
- (e) organize international conferences, seminars and training programs for arbitrators and scholars;
- (f) coordinate and facilitate, in collaboration with other lead agencies and non-State actors, the formulation of national policies, laws and plans of action on alternative dispute resolution and facilitate their implementation, enforcement, continuous review, monitoring and evaluation;
- (g) maintain proactive co-operation with other regional and international institutions in areas relevant to achieving the Centre's objectives;
- (h) in collaboration with other public and private agencies, facilitate, conduct, promote and coordinate research and dissemination of findings on data on arbitration and serve as repository of such data;
- (i) establish a comprehensive library specializing in arbitration and alternative dispute resolution;
- (j) provide ad hoc arbitration by facilitating the parties with necessary technical and administrative assistance at the behest of the parties;

- (k) provide advice and assistance for the enforcement and translation of arbitral awards;
- (l) provide procedural and technical advice to disputants;
- (m) provide training and accreditation for mediators and arbitrators;
- (n) educate the public on arbitration as well as other alternative dispute resolution mechanisms;
- (o) enter into strategic agreements with other regional and international bodies for purposes of securing technical assistance to enable the Centre achieve its objectives;
- (p) provide facilities for hearing, transcription and other technological services; and
- (q) manage and apply the Fund In accordance with the provisions of this Act; and perform such other functions as may be conferred on it by this Act or any other written law.

(c) Key Management

The centre's day-to-day management is under the following key organs:

1. Board of Directors

The Board of Directors is composed of professionals from the East Africa Region. The directors are accomplished practitioners with multiple skills that assure the proper functioning and administration of the Centre. They are as listed below:

S/No.	Director	Designation
1.	Arthur Konye Igeria	Chairperson
2.	Pauline Mcharo	Member
3.	Allen Gichuhi	Member
4.	Dr. Eve Hawa Sinare	Member
5.	Peter Kihara Njuguna	Member
6.	Jimmy Mbabali Muyanja	Member
7.	Collins Namachanja	Member
8.	John Ohaga	Member
9.	Lawrence Waigi Kamau	Member
10.	Judith Omenge	Member
11.	Jacqueline Oyuyo Githinji	Member
12.	L. Muiruri Ngugi	Secretary

2. Accounting officer/ Chief Executive Officer

The Accounting Officer of the Centre is **Mr. L. Muiruri Ngugi** who is the Registrar and Chief Executive Officer.

3. Management

The daily management of NCIA is tasked to the Registrar/CEO and a team of professionals who head various departments and units at the Centre. They are as listed below:

S/No.	Name	Designation
1.	L. Muiruri Ngugi	Registrar/CEO
2.	Millicent Shitakha	Manager Business Development
3.	Victor A. O. Ogunyo	Manager Corporate Support Services
4.	Dickson Toroitich	Principal HR and Administration Officer
5.	Isabella Onyango	Principal Communication & Marketing Officer
6.	Diana Njeru	Senior Finance/Accounts Officer
7.	Elijah Muriuki	Senior Finance/Accounts Officer
8.	Barbara Wachia Kilei	Senior Case Counsel
9.	Dennis Macharia	Senior Internal Auditor
10.	Arnold Ndukuyu	Senior ICT Officer
11.	Anne Kago	Senior Supply Chain Officer
12.	Irene Nyamasi	Senior Corporate Strategy Officer
13.	Lorna Kerubo	Capacity Building Officer

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

S/No.	Name	Designation
1.	L. Muiruri Ngugi	Registrar/CEO
2.	Millicent Shitakha	Manager Business Development
3.	Victor A. O. Ogunyo	Manager Corporate Support Services

(e) Fiduciary Oversight Arrangements

In discharging its mandate, the Centre under the leadership of the Registrar/CEO establishes such committees as are necessary for the performance of its duties. In the 2017-2018 financial year the following committees were constituted to undertake specific functions as indicated:

1. Budget Implementation Committee

This committee is formed pursuant to the Public Finance Management (PFM) Act 2012 and the Public Finance Management (PFM) Regulations 2015 to give suggestions, modifications and recommendations on budget processes; to review quarterly budget reports and make recommendations before submission to management; to develop and implement strategies that improve efficiency and achieve budgetary goals; and to ensure full compliance with National Treasury circulars and other government regulations on budgeting. During the financial year ended 30th June 2018 the following were the members of this committee:

S/No.	Name	Role
1.	Dickson Toroitich	Chairperson
2.	Isabella Onyango	Alternate Chairperson
3.	Elijah Muriuki	Secretary
4.	Diana Njeru	Alternate Secretary
5.	Barbara Wachia Kilei	Member
6.	Arnold Ndukuyu	Member
7.	Anne Kago	Member
8.	Irene Nyamasi	Member
9.	Lorna Kerubo	Member
10.	Sarah Omete	Secretariat
11.	Moses Owili	Secretariat

2. Staff Training and Development Committee

This committee is established under Section 8.5 of the NCIA Human Resource Policies and Procedures Manual to manage the training and development function at the Centre. The Committee advises the Registrar/CEO on staff training and development issues including considering officers training requests and recommending those to be trained for the approved training programmes. During the financial year ended 30th June 2018 the following were the members of this committee:

S/No.	Name	Role
1.	Millicent Shitakha	Chairperson
2.	Dickson Toroitich	Secretary
3.	Alex Mwaniki	Member
4.	Elijah Muriuki	Member
5.	Arnold Ndukuyu	Member
6.	Anne Kago	Member
7.	Irene Nyamasi	Member

3. Staff Advisory Committee

This committee is established to hear all discipline cases affecting employees at the Centre and make recommendations on disciplinary action for approval by the Board or the Registrar/CEO as the case may require. During the financial year ended 30th June 2018 the following were the members of this committee:

S/No.	Name	Role
1.	Victor A. O. Ogunyo	Chairperson
2.	Dickson Toroitich	Secretary
3.	Millicent Shitakha	Member
4.	Barbara Wachia Kilei	Member
5.	Diana Njeru	Member
6.	Arnold Ndukuyu	Member
7.	Anne Kago	Member

4. Strategic Planning Committee

This committee was established to review, enhance and finalize the NCIA Strategic Plan. During the financial year ended 30th June 2018 the following were the members of this committee:

S/No.	Name	Role
1.	L. Muiruri Ngugi	Chairperson
2.	Irene Nyamasi	Secretary
3.	Millicent Shitakha	Member
4.	Victor A. O. Ogunyo	Member
5.	Dickson Toroitich	Member
6.	Isabella Onyango	Member
7.	Dennis Karanja	Member
8.	Elijah Muriuki	Member
9.	Arnold Ndukuyu	Member
10.	Anne Kago	Member
11.	Lorna Kerubo	Member
12.	Alex Mwaniki	Member

5. Performance Contract Committee

This committee was established to prepare, periodically monitor and report on the implementation of the 2017/18 Centre's Performance Contract. During the financial year ended 30th June 2018 the following were the members of this committee:

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S/No.	Name	Role
1.	Millicent Shitakha	Chairperson
2.	Irene Nyamasi	Secretary
3.	Victor A. O. Ogunyo	Member
4.	Dickson Toroitich	Member
5.	Isabella Onyango	Member
6.	Barbara Wachia Kilei	Member
7.	Dennis Karanja	Member
8.	Elijah Muriuki	Member
9.	Arnold Ndukuyu	Member
10.	Anne Kago	Member
11.	Lorna Kerubo	Member
12.	Alex Mwaniki	Member

6. Public Complaints Committee

This committee was established in accordance with the Commission on Administrative Justice Act 2011 with the mandate to promote the sensitization of staff and other stakeholders on complaints handling; receive, process and oversee the resolution of complaints; coordinate complaints handling activities in the organization; and ensure compliance with the guidelines of the Commission on resolution of public complaints, as may be issued from time to time. During the financial year ended 30th June 2018 the following were the members of this committee:

S/No.	Name	Role
1.	Isabella Onyango	Chairperson
2.	Sarah Mutheu	Secretary
3.	Lorna Kerubo	Member
4.	Alex Mwaniki	Member
5.	Victor Oketch	Member
6.	Victor Rutto	Member
7.	Moses Owili	Member

7. Corporate Social Responsibility Committee

This committee was established with the mandate to define the Centre's corporate and social obligations as a responsible citizen and oversee its conduct in the context of those obligations; develop and recommend for acceptance by the board policies on all key areas of CSR; develop and support the activities necessary to convert CSR policies into an effective plan for implementation across the Centre and to agree a programme of specific CSR activities; and ensure that appropriate communications policies are in place and working effectively to build and protect the Group's reputation both internally and externally. During the financial year ended 30th June 2018 the following were the members of this committee:

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S/No.	Name	Role
1.	Isabella Onyango	Chairperson
2.	Victor Oketch	Secretary
3.	Barbara Wachia Kilei	Member
4.	Anne Kago	Member
5.	Sarah Mutheu	Member
6.	Elijah Muriuki	Member
7.	Mary Machani	Member

8. Tender Evaluation Committee

This committee is constituted in accordance with the Public Procurement and Asset Disposal Act, 2015 and the Public Procurement and Disposal Regulations, 2006 with the mandate to evaluate tenders and advise the Registrar/CEO on the matter. During the financial year ended 30th June 2018 the following were the members of this committee:

S/No.	Name	Role
1.	Millicent Shitakha	Chairperson
2.	Isabella Onyango	Alternate Chairperson
3.	Anne Kago	Secretary
4.	Victor Rutto	Alternate Secretary
5.	Dickson Toroitich	Member
6.	Barbara Wachia Kilei	Member
7.	Lorna Kerubo	Member
8.	Irene Nyamasi	Member
9.	Moses Owili	Member

(f) Entity Headquarters

Nairobi Centre for International Arbitration
 8th Floor, Co-operative Bank Building
 Haile Selassie Avenue
 Nairobi, Kenya

(g) Entity Contacts

Nairobi Centre for International Arbitration
 P.O. Box 548-00200
 Nairobi, Kenya
 Office Telephone: (254) 2224029/2240377
 Office Mobile: (254) 771293055
 E-mail: info@ncia.or.ke
 Website: www.ncia.or.ke

(h) Entity Bankers

Kenya Commercial Bank Limited
Kenyatta International Convention Centre Branch
P. O. Box 48400-00100
Nairobi, Kenya




(i) Independent Auditors

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



(j) Principal Legal Adviser




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

II. THE BOARD OF DIRECTORS

Director	Director's Particulars
<p>1. Arthur Konye Igeria – Chairperson</p> 	<p>Mr. Arthur Igeria is the Chairperson of the Board of Directors. He trained at the University of Nairobi, graduating in 1989 with a Bachelor of Laws degree. He also holds a post graduate Diploma in Law from Kenya School of Law. He was admitted to practice as an Advocate of the High Court of Kenya in 1991.</p> <p>He is a Member of the Chartered Institute of Arbitrators (Kenya), the Mediation Training Institute, and the Institute of Directors of Kenya.</p>
<p>2. John Ohaga - Member</p> 	<p>Mr. John Ohaga is the Managing Partner in the firm TripleOKlaw LLP Advocates. He has more than 24 years' post-qualification experience during which he has been involved in numerous complex litigation as well as high value domestic and international arbitrations.</p> <p>He also holds a post graduate Diploma in Law from Kenya School of Law. He is admitted to practice as an Advocate of the High Court of Kenya.</p>
<p>3. Pauline Mcharo - Member</p> 	<p>Ms. Pauline Mcharo is the Deputy Chief State Counsel, International Law Division, at the Office of the Attorney General and Department of Justice. She represents the Government of Kenya in international investment and commercial disputes and assists in resolution of Territorial and Maritime Delimitation disputes.</p> <p>She holds a Master in International Law from the Graduate Institute, Geneva, LLM in International Trade and Investment Law in Africa from the University of Pretoria and LLB. from the University of Nairobi.</p>



Director	Director's Particulars
<p>4. Lawrence Waigi Kamau - Member</p> 	<p>Mr. Lawrence Kamau is a Deputy Chief State Counsel at the Office of the Attorney General and Department of Justice currently heading the Commercial & Arbitration Division, Civil Litigation Department.</p> <p>He was previously the Regional Head of the Malindi County State Law Office (in charge of Kilifi, Tana River and Lamu County as well as the Head of the Supreme Court and Court of Appeals Section within the Civil Litigation Department representing the Government of Kenya in high profile and complex litigation.</p>
<p>5. Allen Gichuhi - Member</p> 	<p>Mr. Allen Gichuhi is the current President of the Law Society of Kenya. He specialises in commercial and public law litigation with 18 years' experience.</p> <p>He became a Fellow of the Chartered Institute of Arbitrators in 2009 and has featured among the Kenyan leading dispute resolution lawyers in both the Legal 500 and Chambers Global legal directories.</p> <p>He also holds a post graduate Diploma in Law from the Kenya School of Law and is admitted to practice as an Advocate of the High Court of Kenya.</p>
<p>6. Dr. Eve Hawa Sinare - Member</p> 	<p>Dr. Eve Hawa Sinare is a leading corporate consultant and advocate in Tanzania with more than 27 years of legal practice, and an acknowledged specialist in corporate law commercial arbitration.</p> <p>She was director of legal and institutional affairs of the Common Market for Eastern and Southern Africa (COMESA) and was the organizations Chief Legal advisor. She is a graduate of Universities of Dar Es Salaam (LL.B & LLM) and Konstanz, Germany (LLD) in International economic law.</p>

Director	Director's Particulars
<p>7. Peter Kihara Njuguna – Member</p> 	<p>Mr. Peter Kihara is an experienced Legal Researcher of more than 20 years standing having started off at the University of Nairobi's Law Library where he worked for 13 years.</p> <p>He also holds a post graduate Diploma in Law from Kenya School of Law. He is admitted to practice as an Advocate of the High Court of Kenya.</p> <p>He is the Managing Partner at Kihara Njuguna & Co Advocates.</p>
<p>8. Judith Omenge - Member</p> 	<p>Hon. Judith Omenge is the Registrar of the High Court. Prior to her appointment as Registrar; Judith served as a Deputy Registrar in the Family Division and magistrate in the Nairobi Children's Court where she oversaw the implementation of the Children Act.</p> <p>As the Registrar of the High Court, Judith is responsible for the day to day administration of 39 High Court stations.</p>
<p>9. Jacqueline Oyuyo Githinji - Member</p> 	<p>Ms. Jacqueline Githinji is the Managing Partner at Umsizi LLP, a firm of Advocates, Corporate Secretaries, Arbitrators and Mediators. She has considerable experience in a broad range of commercial and corporate advisory matters ranging from shareholder negotiations; capital raising and legal due diligence gained in her close to 20 years legal experience.</p> <p>Ms. Githinji is a Fellow of the Chartered Institute of Arbitrators and a Certified & Court-Accredited Mediator.</p>

Director	Director's Particulars
<p>10. Jimmy Mbabali Muyanja – Member</p> 	<p>Mr. Jimmy Muyanja has over 14 years of experience in commercial transactions, litigation and alternative dispute resolution. He is a member of the Chartered Institute of Arbitrators, United Kingdom branch. He is admitted to practice as an Advocate in Uganda.</p> <p>He was part of the task force which designed and implemented the pioneer compulsory Court-connected mediation scheme for the Commercial Court Division of the High Court in Uganda in 2001.</p>
<p>11. Collins Namachanja – Member</p> 	<p>Mr. Collins Namachanja is a senior partner in the firm of Namachanja & Mbugua Advocates with close to 20 years post qualification experience.</p> <p>Mr. Namachanja is a Fellow of the Chartered Institute of Arbitrators and Chartered Arbitrator; is part of the Institute's Approved Faculty List and a Tutor with the Institute's Kenya Branch.</p> <p>He also holds a post graduate Diploma in Law from Kenya School of Law. He is admitted to practice as an Advocate of the High Court of Kenya.</p>
<p>12. L. Muiruri Ngugi – Board Secretary</p> 	<p>Mr. L. Muiruri Ngugi is the Registrar/CEO of NCIA and the Board Secretary. He is an arbitrator and accredited mediator, member of ICCA, member to the UNCITRAL Working Group II Arbitration & Conciliation and UNCITRAL Working Group III Online Dispute Resolution.</p> <p>He holds a BA (Hons.) Econ, LLB and MA International Studies. He also holds a post graduate Diploma in Law from Kenya School of Law. He is admitted to practice as an Advocate of the High Court of Kenya and a Certified Public Secretary.</p>

III. MANAGEMENT TEAM

Name	Particulars
<p>1. L. Muiruri Ngugi</p> 	<p>Mr. L. Muiruri Ngugi is the Registrar/CEO of NCIA and the Accounting Officer. As CEO he leads the Secretariat of the Centre and oversees overall planning, directing, controlling and coordination of the Centre's activities.</p> <p>He holds a BA (Hons.) Econ, LLB and MA International Studies. He also holds a post graduate Diploma in Law from Kenya School of Law. He is admitted to practice as an Advocate of the High Court of Kenya and a Certified Public Secretary.</p>
<p>2. Millicent Musanga Shitakha</p> 	<p>Ms. Millicent Shitakha is the Manager Business Development Department at NCIA. She oversees the Corporate Strategy Unit, the Capacity Building Unit, the Communication and Marketing Unit and the Client Relations Unit.</p> <p>She holds a Bachelor of Arts in Economics and an MBA (Finance) both from the University of Nairobi.</p>
<p>3. Victor A. O. Ogunyo</p> 	<p>Mr. Victor Ogunyo is the Manager Corporate Support Services Department at NCIA. He oversees the Human Resource Management and Administration Unit, the Legal Affairs Unit, the Finance and Accounts Unit, the Supply Chain Management Unit and the Information Communication and Technology Unit.</p> <p>He holds an MBA in Strategic Management (Africa Nazarene University), B. Com in Business Administration (Daystar University), Higher Diploma in HRM (CHRM).</p>

Name	Particulars
<p>4. Barbara Wachia Kilei</p> 	<p>Ms. Barbara Kilei is the Senior Case Counsel in the Case Management Department at NCIA. She oversees the Case Administration Unit, the Case Quality Assurance and Advisory Unit and the Records Management Unit.</p> <p>She is an Advocate of the High Court of Kenya and a member of the Chartered Institute of Arbitrators as well as a Certified mediator having worked in both the Private and Public Sector.</p>
<p>5. Dennis Macharia Karanja</p> 	<p>Mr. Dennis Karanja is the Senior Internal Auditor at NCIA. He oversees the Internal Audit, Corporate Governance and Compliance functions at the Centre.</p> <p>He holds a B. Com in Finance (Jomo Kenyatta University of Agriculture and Technology) and is currently pursuing a Master of Science in Finance at the University of Nairobi. He is a Certified Public Accountant of Kenya (CPA K) and a member of the Institute of Internal Auditors (IIA).</p>

IV. CHAIRMAN'S STATEMENT



Mr. Arthur K. Igeria
NCIA Board Chairperson

The Nairobi Centre for International Arbitration (NCIA) is honoured to publish the 2017/2018 Annual Report and Financial Statements. This is in line with Section 20 of the NCIA Act, 2013 and the standard practice observed by the Centre. NCIA is a statutory body that draws its mandate and functions from the NCIA Act of 2013 which broadly requires the Centre to promote, facilitate and encourage the conduct of international commercial arbitration and to administer domestic and international arbitrations as well as alternative dispute resolution techniques under its auspices.

The 2017/2018 Annual Report and Financial Statements highlights key initiatives undertaken by the Centre towards promotion of international commercial arbitration and other alternative forms of dispute resolution. It documents the initiatives and statistical information towards the attainment of our mission to be recognized as a Centre for International Commercial Arbitration and Alternative Dispute Resolution (ADR) through provision of quality and innovative processes. This has largely been done through promotion and administration of ADR; training and quality assurance; partnerships and collaboration; and organizational capacity development. Due diligence has been exercised in the reporting period towards attainment of our strategic goals of develop and implement effective and efficient policy and management frameworks for ADR processes; enhance professional capacity in international commercial arbitration and promote the use of ADR processes; enhance international recognition of NCIA; and strengthen institutional capacity of the Centre for quality delivery of services as contained in the NCIA Strategic Plan.

I am pleased to report that the financial year 2017/2018 was a period NCIA witnessed strategic milestones. In particular, the Centre is developing the National ADR Policy in collaboration with International Development Law Organization (IDLO) and the Judiciary of Kenya which shall provide a framework through which national actors and the country can coordinate efforts to deliver and improve access to justice efficiently and uphold the rule of law.

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In the year under review, the Centre signed MOU with China Africa Joint Arbitration Centre (CAJAC) as part of synergies with international and regional institutions on ADR. The Centre also organized the 1st National Conference on ADR held between the 5th and 6th June 2018 in Nairobi. During the conference, the 1st NCIA Moot Competition was also conducted in collaboration with Kabarak University, Kenyatta University, Catholic University of East Africa, Moi University, Africa Nazarene University, Egerton University, Riara University, Jomo Kenyatta University of Agriculture and Technology and University of Nairobi. The Conference was preceded by a CEO's Roundtable held on 4th June 2018 that focused on discussions on ADR.

In the year under review, the Centre administered seven (7) new cases. In the same period, the Centre admitted ten (10) arbitrators to the NCIA Panel List of Arbitrators and ten (10) mediators to the NCIA Panel List of Mediators. The Centre also strengthened its organizational capacity with the recruitment of twenty-three (23) staff who are skilled and competent in various cadres across the organization structure.

We acknowledge support from the Government of Kenya, the Judiciary of Kenya and other partners and do hope that our journey towards offering alternative dispute resolutions will be sustained for the benefit of generations to come. We are confident that our partners and the people of Kenya will continue working closely with the Centre in our endeavour to be recognized as a Centre for International Commercial Arbitration and Alternative Dispute Resolution through provision of quality and innovative processes.

Indeed, the achievements outlined above would not have been possible without the innovation, resourcefulness, commitment and hard work of the Secretariat. In this regard, I express gratitude to the NCIA Registrar/CEO, Mr. Lawrence Ngugi and the entire staff for work well done in 2017/2018. I would also like to thank my fellow Board members for their unwavering support, commitment, dedication and sacrifice. I wish to acknowledge each Board member for their individual contributions and efforts made during the financial year 2017/2018. I would also like to thank the Management Team and all staff members and appreciate their efforts in supporting the vision of the Board and the Centre.

In conclusion, I wish on behalf of the Board of Directors, to express our gratitude for the honour granted us in service to the people of the great Nation of Kenya in our capacity as members of the Board of NCIA. We are confident that the Centre, its partners and the people of Kenya will continue working closely with us to realize our vision of being the Premier Centre of Choice for Alternative Dispute Resolution.

Thank You and may God bless You.


Arthur K. Igaria
CHAIRPERSON

BOARD OF DIRECTORS, NAIROBI CENTRE FOR INTERNATIONAL ARBITRATION

V. REPORT OF THE CHIEF EXECUTIVE OFFICER



Mr. L. Muiruri Ngugi
NCIA Registrar/CEO

I am delighted at the publication of the Centre's 2017/2018 Annual Report and Financial Statements. The Centre draws its mandate and functions from the NCIA Act 2013. The Act also inform its establishment, structure and operations. The Report details activities, performance and interventions of the Centre during the year under review. It also looks at the achievements, challenges and options for addressing them. It also elucidates the resources, both capital and human, which were at the Centre's disposal. Further, the Report documents the progress made by the Centre in promotion of international commercial arbitration and other alternative forms of dispute resolution.

Promotion and Administration of ADR

NCIA is the first institution of its kind in Kenya to offer institution-administered ADR process. The Centre developed and implemented a Case Management System that ensures efficiency and the provision of quality and innovative services. As the lead agency in ADR, NCIA is mandated by statute to formulate national policies, laws and plans of action on ADR and ensure their implementation. To this end, NCIA conducted a baseline survey on ADR mechanisms with an aim of harmonizing the existing legal frameworks through the development of a National ADR Policy. To implement this policy framework, the Centre developed a Resource Mobilization Strategy for the establishment of an ADR Centre of Excellence which will be the world Premier Centre of choice for Alternative Dispute Resolution.

Training and Quality Assurance

Training and quality assurance ensures that the Centre aids in promoting the practice of International Commercial Arbitration practice and increase confidence in ADR processes. In the FY 2017/2018, the Centre conducted training on ADR to Practitioners. In addition, accreditation was conducted to both arbitrators and mediators who sought approval to be enlisted in the NCIA Panel List of Arbitrators and the NCIA Panel List of Mediators as part

of quality assurance. The Centre also created awareness on the availability and use of ADR services by developing mechanisms for public engagement. With an enlightened public, the Centre envisages increased use of ADR processes.

Partnerships and Collaborations

To ensure recognition of NCIA as the preferred Centre for International Commercial Arbitration and Alternative Dispute Resolution, the Centre maintained a proactive co-operation with regional and international institutions in areas relevant to achieving its objectives. To achieve the strategy, the Centre signed Memorandum of Understanding, conducted a training on Introduction to Investment and Commercial Arbitration, organized the 1st National ADR Conference, held stakeholder forum and seminar on ADR and participated in various international conferences for purposes of securing technical assistance, exchange programmes, conferences and training programs for ADR practitioners and scholars.

Organizational Capacity Development

The Centre strengthened its human resource capacity by recruiting skilled and competent secretariat to aid the Registrar/CEO in the day to day running of activities. In order to improve staff skills and competence, the Centre has put in place staff training and development programs. These programs enable staff to pursue both academic and professional qualifications locally and internationally. The Centre's financial mobilization was also strengthened through compliance with all statutory obligations and development of the Centre's Resource Mobilization Strategy that will ensure set targets are met. Information Communication Technology (ICT) as one of emerging trends was also strengthened with the commissioning of the Enterprise Resource Planning System.

Way Forward

In the coming year, the Centre will focus primarily on implementing the key areas as identified in the NCIA Strategic Plan, Annual Work Plan and the Performance Contract. The Centre plans to conduct the following activities in the coming financial year:

- Develop, publish and circulate simplified user guidelines/handbook on AD;
- Develop and implement a capacity building curriculum;
- Identify institutions/individuals for strategic partnership;
- Develop mentorship and exchange programmes;
- Accreditation and induction of practitioners;
- Collate and publish research findings on ADR;
- Conduct county forums and ADR open days and clinics; and
- Organize seminars, workshops and trainings programs on ADR.

While the year 2017/2018 was not without its challenges, the Management and Staff of NCIA continued to successfully implement its mandate and to advance its goals and objectives

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set in the NCIA Strategic Plan and approved by the Board of Directors. The Board indeed provided strategic direction, leadership and oversight to the Secretariat in the execution of the planned programmes and activities. To meet this enormous task, the Centre received grants from the Government of Kenya totalling to Kshs. 122.7 Million during the year under review.

The Secretariat will continue to ensure the effective implementation of the programmes of the Centre including supporting the work of the Board of Directors and the various Board Committees. We will remain dedicated and committed to achieving the Centre's vision of being the Premier Centre of Choice for Alternative Dispute Resolution and its Mission of being recognized as a Centre for International Commercial Arbitration and Alternative Dispute Resolution through provision of quality and innovative processes.

In conclusion, I would like to appreciate the efforts made by the staff of NCIA in realizing the aforementioned achievements, without which the Centre could not have successfully fulfilled its mandate as outlined in the NCIA Act 2013. I also wish, on behalf of the Secretariat, to thank the Board of Directors for their continued support and leadership towards the accomplishment of the Centre's goals this year.

Thank you and may God abundantly bless you.



L. Muiruri Ngugi
REGISTRAR/CEO
NAIROBI CENTRE FOR INTERNATIONAL ARBITRATION

VI. CORPORATE GOVERNANCE STATEMENT

The Board is committed to ensuring that the Centre's obligations, roles and responsibilities to its various stakeholders are fulfilled through its corporate governance practices. The Members and the Management undertake to perform their duties with impartiality, honesty, transparency and accountability, professionalism, integrity, care and due diligence and to act in good faith to the best interests of the public. The Board is committed to ensuring that the Centre complies with all applicable laws and statutes.

The NCIA Board

The NCIA Board is established under Section 6 of the NCIA Act No. 26 of 2013 and comprises of a non-executive Chairperson appointed by the President on the recommendation of the Cabinet Secretary; the Attorney General or his representative; the Principal Secretary in the ministry for the time being responsible for matters relating to justice or his representative; the Chief Registrar of the High Court or his representative; five members, not being public officers nominated by domestic arbitration bodies within the East African region, appointed by the Cabinet Secretary; One person nominated by each of the following bodies: Kenya National Chamber of Commerce & Industry, Law Society of Kenya, Kenya Private Sector Alliance and the Chartered Institute of Arbitrations. The Registrar/CEO is an ex-officio Member and Secretary of the Board.

The Role of the Board

The Board Members are responsible for the overall management of the Centre. In addition, the Members are responsible for drawing up strategies for the long-term success of the Centre as well as carrying out the fiduciary duty of monitoring and overseeing the activities of the Management. To actualize the aforementioned, the Board Members meet regularly to make determinations/decisions. The Board provides the Strategic direction of the Centre and overseeing the Centre's compliance with statutory and regulatory obligations. The Chairperson is primarily responsible for providing leadership to the Board including Chairing of Board meetings. The Chairperson also ensures that the Board is supplied with timely and sufficient information to enable it to discharge its duties effectively. The Registrar/Chief Executive Officer is the Board Secretary.

Board Charter

The Board Charter is a commitment by the Directors to discharge the Mandate of the Centre. It outlines the rules that guide them and does not in any way purport to replace or supersede any laws and regulations that guide the operations of the Centre.

Committees of the Board

The Board has four (4) standing Committees established with formal written terms of reference and which observe the same rules of conduct and procedure as the full Board. These Committees are as follows:

1. Training and Communication Committee

The Committee's responsibilities are as follows:

- Advise the Board on the Centre's proposal for strategies on corporate marketing, communication and capacity development.
- Review the Centre's proposal for corporate image building and branding and make recommendations to the Board as necessary.
- Review the Centre's proposal for collaboration and cooperation frameworks and make recommendations to the Board as necessary.
- Advise the Board on resource mobilization strategies for funded projects and programmes for marketing and capacity development.
- Advise the Board on the Centre's proposal for training policy, recognition and accreditation of training programs and service providers.
- Advise the Board on the Centre's proposal for communication policy, protocols and guidelines on handling client information and feedback and complaints mechanism.
- Review the Annual work plans and performance of the Business Development Department make appropriate recommendations to the Board and ensure action points identified are implemented.
- Report to the Board on a regular basis on the committee's activities.
- Perform any such other function as the Board may from time to time assign to the Committee.

The membership of the Committee in 2017/2018 was as follows:

S/No.	Director	Designation
1.	Allen Gichuhi	Chairperson
2.	Dr. Eve Hawa Sinare	Member
3.	Pauline Mcharo	Member
4.	Jacqueline Oyuyo Githinji	Member
5.	Peter Kihara Njuguna	Member
6.	Millicent Shitakha	Secretary

2. Legislative Review and Accreditation Committee

The Committee's responsibilities are as follows:

- Review rules, procedures and guidelines for conduct of Alternative Dispute Resolution processes under the auspices of the Centre and make recommendations to the Board as necessary.
- Advise and recommend strategies to the Board to ensure Alternative Dispute Resolution processes adopted by the Centre are responsive to global trends and developments.
- Review criteria and procedure for accreditation and removal of practitioners listed on the Centre's panel and make recommendations to the Board as necessary.
- Exercise general oversight on processes for accreditation and removal of practitioners listed on the Centre's panel and recommend to the Board a framework for monitoring and evaluation.
- Review and advise the Board on the Centre's proposal for recognition of institutions for purposes of equivalence accreditation of practitioners to the Centre's list.
- Review standards and code of Conduct for practitioners appointed to undertake the role of neutrals or representatives of parties in disputes referred for resolution under the rules of the Centre and make recommendations to the Board as necessary.
- Review and advise the Board on proposals for formulation, implementation, and enforcement, continuous review of a National Policy, laws and plans of action on Alternative Dispute Resolution.
- Review the Annual work plans and performance of the Case Management Department make appropriate recommendations to the Board and ensure action points identified are implemented.
- Report to the Board on a regular basis on the committee's activities.
- Perform any such other function as the Board may from time to time assign to the Committee.

The membership of the Committee in 2017/2018 was as follows:

S/No.	Director	Designation
1.	John Ohaga	Chairperson
2.	Jimmy Muyanja	Member
3.	Collins Namachanja	Member
4.	Judy Omange	Member
5.	Lawrence Kamau	Member
6.	Barbara Kilei	Secretary

3. Finance and Administration Committee

The Committee's responsibilities are as follows:

- Establish the content and process for the development of the five-year Strategic Plan providing for the full participation of members of the Board.
- Review the Centre's proposal for Annual Estimates of revenue and expenditure and make recommendations to the Board.
- Review the Annual Financial Statements for the Centre and make recommendations to the Board as necessary.
- Review on a quarterly basis the period management accounts of the Centre and make any necessary recommendations to Board.
- Ensure that the books and records of accounts and income of the Centre are maintained, and the expenditure and assets of the Centre are prudently managed and properly recorded.
- Review and advise the Board on the Annual plans for procurement of goods, works and services and disposal of assets by the Centre in accordance with the Public Procurement and Disposal laws and regulations.
- Advise the Board in relation to the Centre's policies, procedures, guidelines, manuals and other process for internal management of affairs and staff of the Centre.
- Advise the Board in relation to Board affairs and welfare.
- Review the Annual work plans and performance of the Corporate Support Services Department make appropriate recommendations to the Board and ensure action points identified are implemented.
- Liaise with other Committees of Board as may be required and where appropriate advise Board, the Audit, Risk and Governance Committee and other Committees of the Centre as appropriate.
- Report to the Board on a regular basis on the committee's activities.
- Perform any such other function as the Board may from time to time assign to the Committee.

The membership of the Committee in 2017/2018 was as follows:

S/No.	Director	Designation
1.	Pauline Mcharo	Chairperson
2.	Jimmy Mwanja	Member
3.	Peter Kihara Njuguna	Member
4.	Judy Omange	Member
5.	Allen Gichuhi	Member
6.	Victor A. O. Ogungo	Secretary

4. Audit, Risk and Governance Committee

The Committee's responsibilities are as follows:

- Evaluate adequacy of management procedures regarding issues relating to risk management, control and governance and advise the Board as necessary.
- Review the internal and external audit findings and recommendations including Public Accounts and Public Investment Committee' recommendations and propose corrective and preventive action where necessary.
- Review the systems established to ensure sound public financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans, code of conduct and ethics and advise the Board as necessary.
- Initiate special audit or investigation on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the Chief Executive Officer.
- Review the Annual work plans and performance of the Internal Audit Unit make appropriate recommendations to the Board and ensure action points identified are implemented.
- Liaise with other Committees of Board as may be required and where appropriate advice the Board and other Committees of the Centre as appropriate.
- Report to the Board on a regular basis on the committee's activities.
- Perform any such other function as the Board may from time to time assign to the Committee.

The membership of the Committee in 2017/2018 was as follows:

S/No.	Director	Designation
1.	Collins Namachanja	Chairperson
2.	John Ohaga	Member
3.	Jacqueline Oyuyo Githinji	Member
4.	Lawrence Kamau	Member
5.	Dr. Eve Sinare	Member
6.	Dennis Karanja Macharia	Secretary

During the year 2017/2018 the Board held ten (10) regular meetings. There were other meetings during the year as need arose. These included meetings where members were engaged with various stakeholders including the Law Society of Kenya, the Kenyan Judiciary, the Office of the Honourable Chief Justice, and the Chartered Institute of Arbitrators among others.

The summary of various meetings is presented below:

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No.	Board / Board Committee	No. of Meetings Held
1.	Full Board Meeting	10
2.	Board Committee on Facilities	2
3.	Training and Communication Committee	6
4.	Audit, Risk and Governance Committee	4
5.	Finance and Administration Committee	8
6.	Legislative Review and Accreditation Committee	3

Removal from Office

Section 2 of the Schedule to the NCIA Act 2013 provides for the instances in which a board member, other than an ex-official member would leave office. These instances include the following:

- a) at any time resign from office by notice in writing to the Cabinet Secretary;
- b) be removed from office by the Cabinet Secretary on recommendation of the Board if the member –
 - i. has been absent from three consecutive meetings of the Board without its permission;
 - ii. is adjudged bankrupt or enters into a composition or scheme of arrangement with his creditors;
 - iii. is convicted of a corruption or economic crime or other criminal offence involving dishonesty, fraud or moral turpitude or any other criminal offence under any law punishable with imprisonment that amounts to a felony under the Laws of Kenya;
 - iv. is of unsound mind or is incapacitated by prolonged physical or mental illness for a period exceeding six months; or
 - v. is otherwise unable or unfit to discharge his functions.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

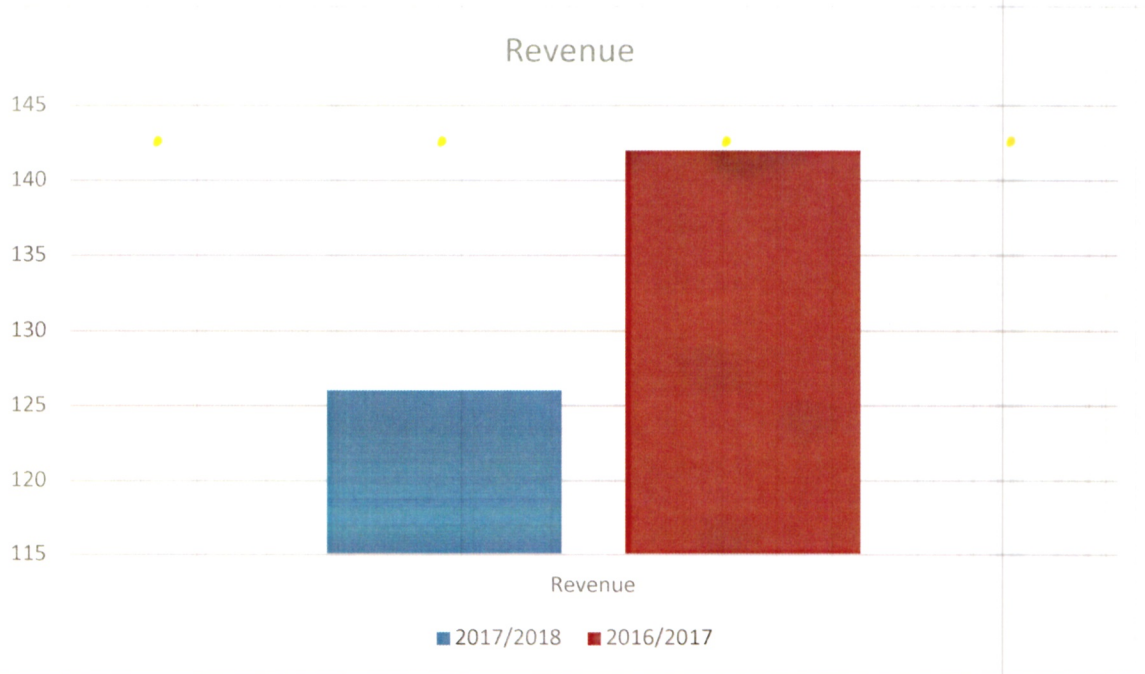
SECTION A

The Centre's Operational and Financial Performance

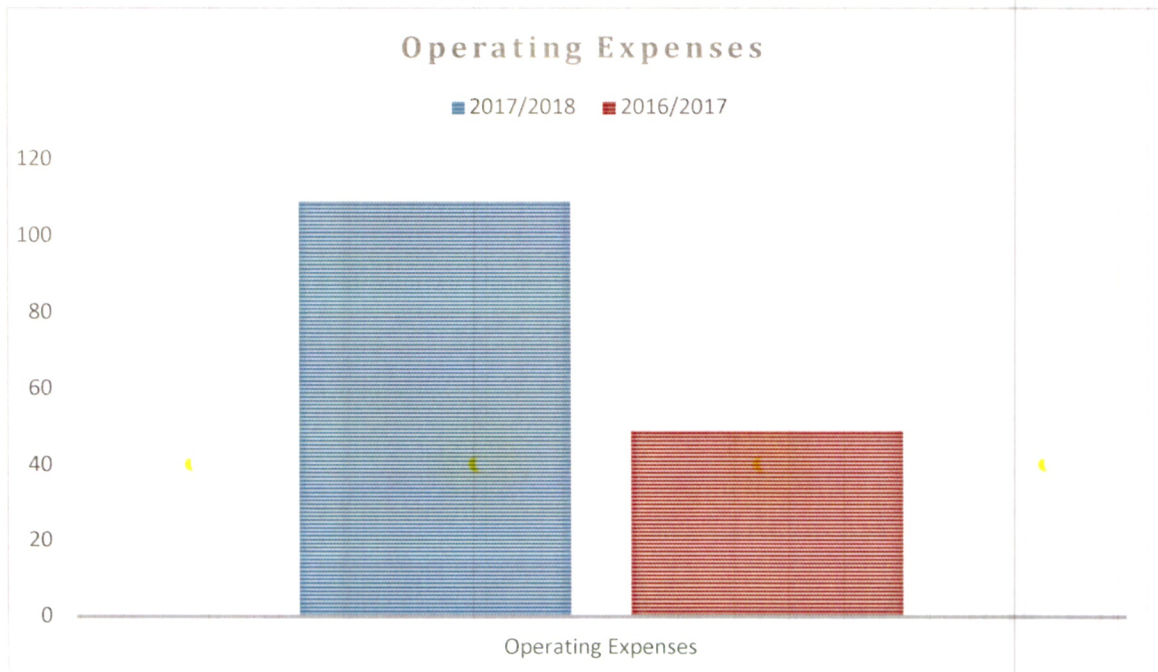
The Centre is implementing its 5-year Strategic Plan whose pillars are: Promotion and Administration of ADR; Training and Quality assurance; Partnerships and Collaboration; and Organizational Capacity Development. In 2017/2018 the Centre implemented the following key activities:

- Recruitment (and subsequent induction) of 23 new staff members at the Centre to address the challenge of understaffing and help in operationalization of all the Centre's activities.
- Installed and commissioned use of the Case Management System ensuring an efficient and cost-effective administration of dispute settlement processes.
- Developed Policy on Review and Revision of Rules.
- The establishment of structures and processes through development and approval of policies and standard operating procedures.
- Developed Rules on Administration of disputes under UNCITRAL.
- Developed Codes and Standards of Practice, User Manuals and Practice Notes for an efficient and cost-effective administration of dispute settlement processes.
- Participation in the Mediation Settlement Week and the signing of MOU with the Kenya Chinese Chamber of Commerce.
- Conducted the National ADR Stakeholders forum, the 1st National ADR Conference, CEO's Roundtable on ADR and the 1st NCIA Moot Competition.
- Baseline Survey was conducted in collaboration with IDLO and the Judiciary and the results presented for discussion at a stakeholder meeting as a step towards developed of the National ADR Policy.
- Facilitated the holding of the Court Annexed Mediation conducted by the Judiciary at the NCIA offices.
- Participated in ADR stakeholder related events including discussions on formulation of the National Alternative Dispute Resolution Policy, local, regional and international conferences in ADR in Kigali Rwanda, Cape Town South Africa and Sydney Australia.

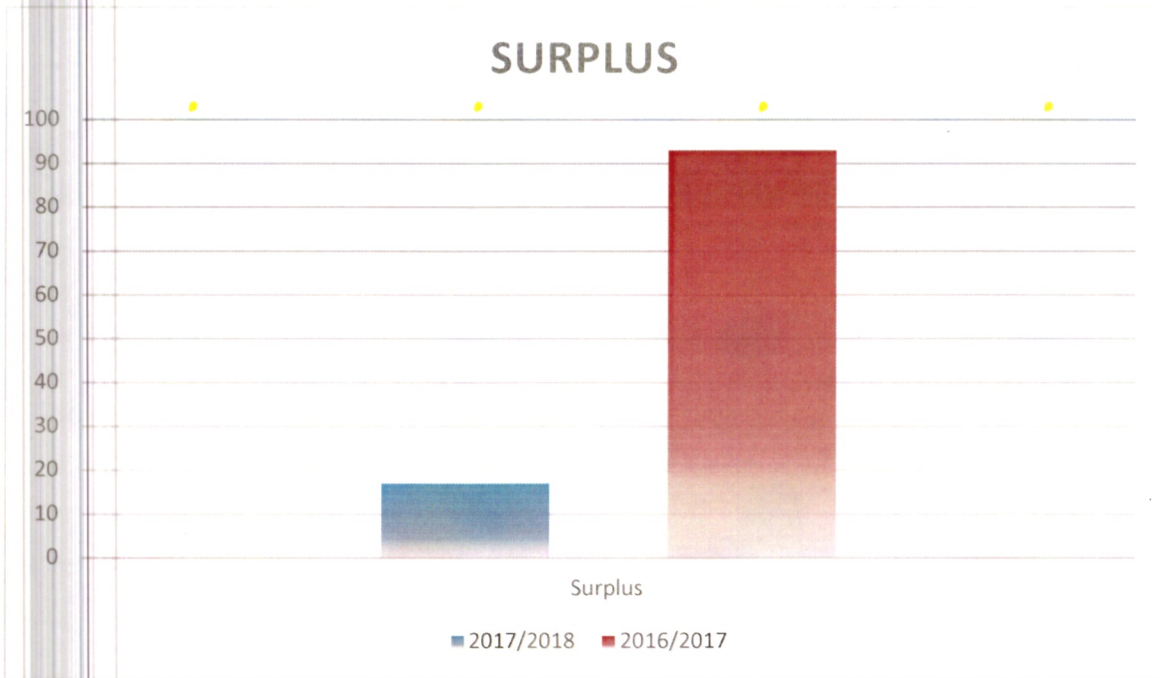
- The revenue for the financial year 2017/2018 was Ksh.126,623,507 as compared to Ksh.142,369,963 for the financial year 2016/2017.



- The operating expenses for year 2017/2018 was Ksh.108,213,323 as compared to Ksh. 49,285,260 for the financial year 2016/2017.



- The surplus for year 2017/2018 was Ksh. 18,410,184 as compared to Ksh. 93,084,703 for the financial year 2016/2017.



SECTION B

Centre's Compliance with Statutory Requirements

The Centre has entered registration for PAYE, Withholding Tax obligations with remittance made vide the i-tax portal.

There is no exposure to litigation recorded for the year under review.

SECTION C

Key Projects and Investment decisions NCIA is planning/implementing

The Centre is implementing its Service Centre model and has completed refurbishment of its offices on 7th and 8th floor Co-operative House to customise its facility to a fully functional alternative dispute resolution (ADR) centre. This will facilitate delivery of the Centre's mandate of providing efficient and affordable hearing facilities for disputants in line with the National Government strategic objectives and policies as outlined in the Medium-Term Plan III of the Vision 2030 and aligned to the President's Big Four Agenda. Other planned activities for implementation include:

- Improve professional competence and capacity of NCIA staff through training and development in Arbitration and Mediation Courses.
- Disseminate and create awareness on NCIA institutional Rules on Arbitration and Mediation.
- Conduct baseline study on ADR services on Kenya.
- Develop an IT based case management system and IT enabled portal for submission of all requests for ADR and panel accreditation.
- Develop Curricula for ADR Course Development programs to enhance capacity in international commercial arbitration and investment dispute settlement.
- Coordinate formulation of a National ADR Policy and Action Plan.
- Coordinate review and harmonization of legislation on Arbitration and other ADR mechanisms.
- Develop Strategic Partnerships by identifying thematic areas for collaboration;
- Identify key regional and global strategic partnerships and negotiation of appropriate memoranda of understanding.

SECTION D

Major Risks facing NCIA

The key risks facing the Centre include:

i. Operational Risks

- Overdependence on funding from the National Treasury.
- Inadequate human resource capacity to facilitate the provision of efficient and effective services.
- Inadequate Infrastructural capacity for conduct of ADR Services.

ii. Market Risks;

- Low awareness and uptake of Alternative Dispute Resolution services.
- Competition from established centres and institutions.
- Negative perception of lack of neutrality.
- Changing trends in administration of disputes.
- Low level of confidence in the quality and integrity of dispute resolution services.

SECTION E

Material Arrears in Statutory/Financial Obligations

The centre does not have loan default, tax default, outstanding staff and pension obligations/actuarial deficit on pension schemes, non-payment of dividends and loan redemption to the National Exchequer.

An amount of Kshs. 14,142,955 payable for partitioning and refurbishment of the 7th and 8th floor of NCIA Offices and Kshs. 4,600,000 payable for supply, installation, training and commissioning of an ERP System remain payable to respective contractors.

SECTION F

The Centre's Financial Probity and Serious Governance Issues

There is no financial improbity reported by the Internal Audit Unit, The Board Audit Risk and Governance Committee, External auditors, or other National Government Agencies providing oversight.

There are no governance issues among Board Members and Management including conflict of interest. The Conflict of Interest Register is maintained to record all declared conflicts of interest among Board Members and Staff.

SECTION G

Pictorial - 1



Deputy Chief Justice of the Republic of Kenya and Vice-President of the Supreme Court, Lady Justice Philomena Mbete Mwilu during the National ADR Stakeholders Forum.

SECTION G - cont.



Cabinet Secretary, Industry, Trade and Cooperatives, Hon. Adan Mohammed during the National ADR Stakeholders Forum held in Nairobi between 12th and 13th April 2018.

The stakeholders' forum themed '*Cultivating a Robust Coordinated Alternative Dispute Resolution Framework for Kenya*' sought discussion on the Baseline Assessment, Situational Analysis and Recommendation Report of Kenya's ADR Mechanisms towards Development and Alignment of Legal and Policy Framework with Aim to Deepen ADR for Access to Justice and Commercial Disputes.

SECTION G - cont.

Pictorial - 3



Panel discussion during the 1st NCIA ADR National Conference held in Nairobi between 5th and 6th June 2018. The panel from left to right: Ms. Aisha Abdallah (Partner and Head of Dispute Resolution, Anjarwalla & Khanna), Adv. Lindi Nkosi-Thomas SC (Judge of the High Court of South Africa), Dr. Chen Fuyong (Deputy Secretary-General, Beijing International Arbitration Centre) and Mr. Lawrence M. Ngugi (Registrar/CEO, Nairobi Centre for International Arbitration).

The session discussion was on *'Arbitral Institutions' as a driver of structure and innovation in dispute resolution: convenience, efficiency and efficacy*. The topics presented during the session were: Institutions can influence the development of arbitration law and support legitimacy of arbitration; The potential for case managers and technology to transform the administration of arbitration; and The voice of disaffection and the call for an ethical arbitrator.

SECTION G - cont.

Pictorial - 4



Delegates during the 1st NCIA ADR National Conference held in Nairobi between 5th and 6th June 2018. The Conference theme was '*Dispute Resolution in Kenya – Moving From the Courtroom to the Boardroom.*'

Discussion topics during the Conference included:

- The Role of Judiciary in inculcating a pro-ADR culture.
- Who pays the cost: the cost of dispute settlement to disputants and the economy?
- The young, digital and inventive: is the market bracing for change?
- Lessons from the construction sector: integrating resolution into contracts – risk identification and allocation.
- The role of professions: training a convergence of interests and approaches.

SECTION G - cont.

Pictorial - 4



Participants during the 1st NCIA Moot Competition in held in Nairobi between 28th May 2018 and 6th June 2018. The final of the Moot Competition was adjudicated by Hon. Lady Justice Joyce Aluoch (Former Judge and First Vice President of the International Criminal Court at the Hague), Dr. Eve Hawa Sinare (NCIA Board Member) and Mr. John M. Ohaga (NCIA Board Member).

The winners of the 1st NCIA Moot Competition were students from Kenyatta University and the runners up were students from Kabarak University. Other students who participated in the Moot Competition were from the University of Nairobi, Catholic University of East Africa, Jomo Kenyatta University of Agriculture and Technology, Riara University, Moi University, Egerton University and Africa Nazarene University.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT AND SUSTAINABILITY REPORTING

Nairobi Centre for International Arbitration (NCIA) recognizes its obligations to act responsibly, ethically and with integrity in its interactions with all stakeholders be they employees, customers, suppliers, neighbours and the environment as a whole. The Centre's Corporate Social Responsibility areas of focus include promotion of alternative dispute resolution, promotion of education, protection of the environment and promotion of gender equity and inclusiveness.

To this end:

1. The Centre has in place policies that clarify its commitment to negating its impact on the environment;
2. The Centre carried out regular risk assessments to guarantee the wellbeing of employees, clients and visitors, in accordance with Occupational Health and Safety regulations;
3. The Centre actively manages its reputation, and drives best practice, through the application of prudent public procurement practices as outlined in the Public Procurement and Asset Disposal Act 2015;
4. The Centre is an Equal Opportunities Employer which promotes diversity and does not differentiate on grounds of gender, ethnicity, religion, race, or physical ability;
5. The Centre actively contributes to social and environmental initiatives in the Republic of Kenya through donation of time and funds; and
6. The Centre commits to being open and transparent in the interest of promoting best practice.

It is important to our employees to work for a socially responsible organization and our approach therefore reflects our people. We recognize that our activities as a Centre have an impact on our communities and the general public. We are committed to not only managing that impact but also using the public resources and donor funds we have been entrusted with in making a real and sustainable difference.

To this end:

1. The Centre is actively involved in supporting and developing the local community to make a lasting positive impact;
2. The Centre works hard to ensure that the negative impact our work has on the environment is minimized; and
3. The Centre provides the tools to enable employee growth and fulfilment for individuals and for the Centre to work together to make a difference as a team.

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the centre's affairs.

Principal activities

The principal activities of the entity are to:

- (a) promote, facilitate and encourage the conduct of international commercial arbitration in accordance with this Act;
- (b) administer domestic and international arbitrations as well as alternative dispute resolution techniques under its auspices;
- (c) ensure that arbitration is reserved as the dispute ' resolution process of choice;
- (d) develop rules encompassing conciliation and mediation processes;
- (e) organize international conferences, seminars and training programs for arbitrators and scholars;
- (f) coordinate and facilitate, in collaboration with other lead agencies and non-State actors, the formulation of national policies, laws and plans of action on alternative dispute resolution and facilitate their implementation, enforcement, continuous review, monitoring and evaluation;
- (g) maintain proactive co-operation with other regional and international institutions in areas relevant to achieving the Centre's objectives;
- (h) in collaboration with other public and private agencies, facilitate, conduct, promote and coordinate research and dissemination of findings on data on arbitration and serve as repository of such data;
- (i) establish a comprehensive library specializing in arbitration and alternative dispute resolution;
- (j) provide ad hoc arbitration by facilitating the parties with necessary technical and administrative assistance at the behest of the parties;
- (k) provide advice and assistance for the enforcement and translation of arbitral awards;
- (l) provide procedural and technical advice to disputants;
- (m) provide training and accreditation for mediators and arbitrators;
- (n) educate the public on arbitration as well as other alternative dispute resolution mechanisms;
- (o) enter into strategic agreements with other regional and international bodies for purposes of securing technical assistance to enable the Centre achieve its objectives;
- (p) provide facilities for hearing, transcription and other technological services; and
- (q) manage and apply the Fund in accordance with the provisions of this Act; and perform such other functions as may be conferred on it by this Act or any other written law.

Results

The results of the Centre for the year ended June 30, 2018 are set out on pages 42 to 64.

Directors

The members of the Board of Directors who served during the year are shown on pages 10-13. During the year Mr. Allen Gichuhi resigned from the Board with effect from 11th June 2018.

Dividends/Surplus remission

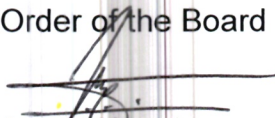
In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. NCIA is a service institution that relies substantially on National Government grants appropriated by the National Parliament.

The surplus during the financial year 2017/2018 was Kshs. 108,213,323.

Auditors

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

By Order of the Board



L. Muiruri Ngugi
Board Secretary

NAIROBI CENTRE FOR INTERNATIONAL ARBITRATION

Date: 26-09-2018

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 (1) of the Public Finance Management (PFM) Act, 2012, Section 14 of the State Corporations Act, 2015, and the Nairobi Centre for International Arbitration (NCIA) Act, 2013 require the Directors to prepare financial statements which give a true and fair view of the state of affairs of the Centre) at the end of the financial year and the operating results of the Centre for that year. The Directors are also required to ensure that the Centre keeps proper accounting records which disclose with reasonable accuracy the financial position of the Centre. The Directors are also responsible for safeguarding the assets of the centre. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya.

The Directors are responsible for the preparation and presentation of the Centre's financial statements, which give a true and fair view of the state of affairs of the Centre for and as at the end of the financial year ended on June 30, 2018. This responsibility includes:

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

The Directors accept responsibility for the Centre's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the NCIA Act No. 26 of 2013. The Directors are of the opinion that the Centre's financial statements give a true and fair view of the state of the Centre's transactions during the financial year ended June 30, 2018, and of the centre's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Centre, which have been relied upon in the preparation of the Centre's financial statements as well as the adequacy of the systems of internal financial control.

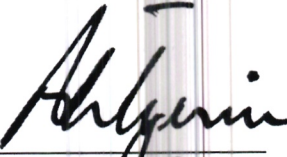
The Directors confirm that the Centre has complied fully with applicable Government of Kenya Regulations and the terms of external financing covenants (where applicable), and that the Centre's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Nothing has come

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to the attention of the Directors to indicate that the Centre will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Nairobi Centre for International Arbitration (NCIA) financial statements were approved by the Board on 26th Sept 2018 and signed on its behalf by:



Director



Director



Director

REPUBLIC OF KENYA

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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 NAIROBI CENTRE FOR INTERNATIONAL ARBITRATION FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENT

Opinion

I have audited the accompanying financial statements of Nairobi Centre for International Arbitration set out on pages 43 to 65, which comprise the statement of financial position as at 30 June 2018, 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 year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Nairobi Centre for International Arbitration as at 30 June 2018, 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 Nairobi Centre for International Arbitration Act No.26 of 2013, and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Nairobi Centre for International Arbitration 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 matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters to communicate in my report.

Report of the Auditor-General on the Financial Statements of Nairobi Centre for International Arbitration for the year ended 30 June 2018

Other Matters

Budget and Budgetary Performance

1. Receipts

The Centre had budgeted for receipts totalling Kshs.195,514,889 but actual amount realized amounted to Kshs.193,438,406 resulting to a shortfall of Kshs.2,076,493 or 1% of the budget as itemized below:

Receipts	Budget Kshs.	Actual Kshs.	Excess/ (Shortfall) Kshs.	Variance %
Government Grants and Subsidies	127,700,000	122,700,000	(5,000,000)	4%
Rendering of Services	1,000,000	3,923,507	2,923,507	292%
Balance B/F	61,774,899	61,774,899	0	0
Receivable loan	5,040,000	5,040,000	0	0
Total	195,514,899	193,438,406	(2,076,493)	1%

The overall shortfall of Kshs.2,076,493 was attributed to failure to receive the budgeted Government grants of Kshs.127,700,000 for which actual receipts amounted to Kshs.122,700,000 resulting to a shortfall of Kshs.5,000,000. An excess of Kshs.2,923,507 was realized from rendering of services where Kshs.3,923,507 was collected against a budget of Kshs.1,000,000.

2. Payments

The Centre had budgeted for expenditure totalling Kshs.195,514,899 but actual amount incurred was Kshs.108,213,323 resulting to an under expenditure of Kshs.87,301,576 or 44% of the budgeted amount as tabulated below:

Expenses	Budget Kshs.	Actual Kshs.	Over/(Under) Kshs.	Variance %
Compensation of Employees	55,347,034	49,699,968	(5,647,066)	10
Remuneration of Directors	13,175,000	7,132,854	(6,042,146)	46
Repairs & Maintenance	10,709,778	1,075,167	(9,634,611)	90
General expenses	116,283,087	42,906,466	(73,376,621)	62
Depreciation	0	7,398,868	7,398,868	100
Total	195,514,899	108,213,323	(87,301,576)	44

The under expenditure mainly occurred under general expenses which had a budget of Kshs.116,283,087 against actual expenditure of Kshs.42,906,466 resulting to unspent

balance of Kshs.73,376,621 or 62%. The under expenditures were attributed to delay in; implementation of Arbitral Court project, development of the Alternative Disputes Resolution (ADR) training curriculum, refurbishment of the offices and installation and commissioning of ERP system.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the Centre's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the National Government either intends to liquidate the Centre or to cease operations, or have no realistic alternative but to do so. Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the set policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 the Centre 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 the Centre to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

24 April 2019

XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2017-2018	2016-2017
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments – gifts and services-in-kind	6	122,700,000	129,000,000
Public contributions and donations	7	1,200,000	0
		123,900,000	129,000,000
Revenue from exchange transactions			
Rendering of services	8	2,720,507	13,369,963
Other Income	9	3,000	0
Total revenue		126,623,507	142,369,963
Expenses			
Employee costs	10	49,699,968	6,902,127
Remuneration of directors	11	7,132,854	5,539,555
Depreciation and amortization expense	12	7,398,868	5,973,880
Repairs and maintenance	13	1,075,167	604,857
General expenses	14	42,906,466	30,264,841
Total expenses		108,213,323	49,285,260
Surplus for the period/year		18,410,184	93,084,703

The notes set out on pages 48 to 62 form an integral part of these Financial Statements


Nairobi Centre for International Arbitration
Annual Reports and Financial Statements
For the year ended June 30, 2018

XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2017-2018	2016-2017
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	15	77,322,850	66,590,512
Receivables from exchange transactions	16(a)	0	5,040,000
Prepayments	16(b)	6,102,543	0
Total Current Assets		83,425,393	71,630,512
Non-current assets			
Property, plant and equipment	17	56,723,571	49,614,518
Total assets		140,148,964	121,245,030
Liabilities			
Current liabilities			
Payables	18	2,388,495	1,894,745
Total liabilities		2,388,495	1,894,745
Net assets		137,760,469	119,350,285
Capital Fund		26,265,582	26,265,582
Accumulated surplus		111,494,887	93,084,703
Total net assets and liabilities		137,760,469	119,350,285

The Financial Statements set out on pages 43 to 47 were signed on behalf of the Board of Directors by:


 L. Muiruri Ngugi
 Registrar/CEO


 Diana Njeru
 Senior F/A Officer
 ICPAK No.: 9135


 Arthur K. Igeria
 Board Chairperson

Date: 26-09-2018

Date: 26-09-2018

Date: 26-09-2018

XIV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	Accumulated surplus	Capital Fund	Total
		Kshs	Kshs
At July 1, 2016	-	-	-
Increase/(Decrease)in Surplus for the year	93,084,703	-	93,084,703
Increase/(Decrease) in Capital fund	-	26,265,582	26,265,582
At June 30, 2017	93,084,703	26,265,582	119,350,285
At July 1, 2017	93,084,703	26,265,582	119,350,285
Increase/(Decrease)in Surplus for the year	18,410,184	-	18,410,184
Increase/(Decrease) in Capital fund	-	-	-
At June 30, 2018	111,494,887	26,265,582	137,760,469

- The Capital Fund is composed of Kshs. 26,265,582 relating to assets bought on behalf of the Centre by OAG/ DOJ at inception.
- The accumulated surplus are composed of Surplus reported for the period ended 30th June 2017 of Kshs. 93,084,703 and Surplus reported for the period ended 30th June 2018 of Kshs. 18,410,184.

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XV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

		2017-2018	2016-2017
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Government grants and subsidies	6	122,700,000	129,000,000
Public contributions and donations	7	1,200,000	0
Rendering of services	8	2,720,507	13,369,963
Other Income	9	3,000	0
Total Receipts		126,623,507	142,369,963
Payments			
Compensation of employees	10	49,699,968	6,902,127
Remuneration of directors	11	7,132,854	5,539,555
Repairs and maintenance	13	1,075,166	0
General expenses	14	42,906,466	30,869,698
OAG	16a	(5,040,000)	5,040,000
Prepayments	16b	6,102,543	0
Work-in-Progress	17	3,080,496	21,945,816
Total Payments		104,957,493	70,297,196
Net cash flows from operating activities		21,666,014	72,072,767
Cash flows from investing activities			
Purchase of property, plant, equipment	17	(11,427,426)	(7,377,000)
Net cash flows used in investing activities		(11,427,426)	0
Cash flows from Financing activities			
Increase in deposits	18	493,750	1,894,745
Net increase/(decrease) in cash & cash equivalents		10,732,338	66,590,512
Cash and cash equivalents at 1 JULY 2017		66,590,512	0
Cash and cash equivalents at 30 JUNE 2018	15	77,322,850	66,590,512

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

	Original budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	Performance difference
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Government grants and subsidies	127,700,000	0	127,700,000	122,700,000	(5,000,000)	(4)
Rendering of services	1,000,000	0	1,000,000	3,923,507	2,923,507	292
Balances b/f	61,774,899	0	61,774,899	61,774,899	0	0
Receivable loan	5,040,000	0	5,040,000	5,040,000	0	0
Total income	195,514,899	0	195,514,899	193,438,406	(2,076,493)	
Expenses						
Compensation of Employees	55,347,034	0	55,347,034	49,699,968	5,647,066	10
Remuneration of Directors	10,050,000	3,125,000	13,175,000	7,132,854	6,042,146	46
Repairs & Maintenance	11,259,778	(550,000)	10,709,778	1,075,167	9,634,611	90
General expenses	118,858,087	(2,575,000)	116,283,087	42,906,466	73,376,621	63
Depreciation	0	0	0	7,398,868	0	
Total Expenditure	195,514,899	-	195,514,899	108,213,323	93,900,444	
Surplus for the period				85,225,083		

Included in the surplus of Kshs. 85,225,083 is Kshs. 61,774,899 being the cash brought forward from the previous year 2016/2017 and Kshs. 5,040,000 being amount refunded by the OAG&DOJ in respect of AALCO conference. The actual surplus for the period ended 30th June 2018 is Kshs. 18,410,184.

Budget Notes

- 1. The Arbitral Court was set to be established but preliminary activities for the same had not been completed by the end of the financial year. Proposed amendments to the NCIA Act have been submitted to Parliament through the Statute Miscellaneous Amendment Act.*
- 2. There was cost saving occasioned by optimum procurement of office stationery due to availability of enough stock procured in the previous financial year.*
- 3. There was considerable use of the ADR Awareness Campaign budget within the reporting period but due to targeted awareness programmes that run across financial periods there was some budget amounts unutilized at year end.*
- 4. 75% of the staff came in the second quarter of FY2017/2018 hence communication and marketing activities were minimal since planning was still underway.*
- 5. The staff training budget was underutilized since the newly recruited staff could not undertake projected training due to exigencies of work.*
- 6. The amount spent under Group Medical Cover is as per the contract sum awarded to the successful bidder, the balance caters for additional premiums for new dependants during the course of the contract period.*
- 7. General Expenses include costs related to consultancy services not incurred due to external support received from partners in the development of a National ADR Policy. This was a considerable cost saving opportunity.*
- 8. Acquisition of Assets include costs set aside for refurbishment of NCIA offices partially concluded and installation and commissioning of an ERP System partially concluded with full completion anticipated in the next financial year.*

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Nairobi Centre for International Arbitration is established by an Act of parliament vide Act No. 26 of 2013 and derives its authority and accountability from the Nairobi centre for International Arbitration Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is Alternative dispute resolution.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Centre'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 functional and reporting currency of the entity. 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.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The centre does not have any pension liabilities therefore the standard does not apply

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The Centre did not have combinations from exchange transactions for the period under review.

iii. Early adoption of standards

The Centre did not early – adopt any new or amended standards in year 2018.

NOTES TO THE FINANCIAL STATEMENTS.... cont.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset 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 entity and can be measured reliably. Recurrent grants are recognized in the statement of financial performance. Development/capital grants are recognized in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds

ii) Revenue from exchange transactions

Rendering of services

The Centre recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

b) Budget information

The original budget for FY 2017-2018 was approved by the NCIA Board. The Centre's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the Statement of Comparison of Budget and Actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the Statement of Comparison of Budget and Actual amounts and the actuals as per the Statement of Financial Performance has been presented under Section XI of these financial statements

NOTES TO THE FINANCIAL STATEMENTS.... cont.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...cont.

c) Taxes

The Centre is a non-profit making state corporation and is exempted from taxation in use.

d) Property, Plant and Equipment

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. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value

e) Provisions

Provisions are recognized when the Entity 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 Entity 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.

Contingent liabilities

The Centre's contingent liability is pending litigations which may arise. In the current financial year there are no pending litigations.

Contingent assets

The Centre does not have any assets whose occurrence or non-occurrence of one or more uncertain future events are not wholly within the control of the

NOTES TO THE FINANCIAL STATEMENTS.... cont.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...cont.

f) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. The Centre has set aside reserves for capital and Accumulated surplus to cater for long term capital investment projects and anticipated expenses that will occur in future.

g) Changes in accounting policies and estimates

The Centre recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

h) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction.

i) Related parties

The Centre regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Registrar/CEO and senior managers.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at Kenya Commercial Bank accounts at the end of the financial year.

k) Budget information

The original budget for FY 2017-2018 was approved by the National Assembly in June 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Centre upon receiving the respective approvals in order to conclude the final budget. The Centre did not record any additional appropriation in the 2017-2018 budget.

NOTES TO THE FINANCIAL STATEMENTS.... cont.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...cont.

The Centre's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the Statement of Comparison of Budget and Actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the Statement of Comparison of Budget and Actual amounts and the actuals as per the Statement of Financial Performance has been presented under Section XI of these financial statements.

l) Comparative figures

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

m) Subsequent events

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

n) Financial liabilities

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 Entity determines the classification of its financial liabilities at initial recognition.

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

NOTES TO THE FINANCIAL STATEMENTS.... cont.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Centre's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Centre based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Centre. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the centre
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions are recognized when the Entity 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 Entity 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.

NOTES TO THE FINANCIAL STATEMENTS.... cont.

6. TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Total Grant income during the year	2017-2018
		KShs	KShs
OAG&DOJ	122,700,000	122,700,000	122,700,000
Total	122,700,000	122,700,000	122,700,000

7. PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2017-2018	2016-2017
	KShs	KShs
KENGEN ADR Conference sponsorship	1,000,000	0
NIFCA ADR Conference sponsorship	200,000	0
Total transfers and sponsorships	1,200,000	0

8. RENDERING OF SERVICES

Description	2017-2018	2016-2017
	KShs	KShs
Hiring of rooms	32,250	0
Arbitration and mediation*	0	9,102,350
ADR Conference*	0	4,267,613
NCIA Arbitrator Panel - Domestic	232,250	0
NCIA Arbitrator Panel - International	141,357	0
NCIA Mediator Panel - Domestic	134,000	0
NCIA Mediator Panel - International	70,500	0
Case Admin. - Domestic - Registration	0	0
Case Admin.- Domestic - Administration	0	0
Case Admin. - Intern'l - Registration	0	0
Case Admin. - Intern'l - Administration	0	0
Capacity Building - Arbitration	120,000	0
Capacity Building - Mediation	0	0
Conference Registration	1,990,150	0
Total Revenue Rendering of services	2,720,507	13,369,963

*There is no expenditure under *Arbitration and Mediation* and *ADR Conference* in 2017-2018 due to a review of the reporting framework that adopts separation of sources of funds from services rendered into areas that include: hiring of rooms, NCIA Arbitrator Panel, NCIA Mediator Panel, Case Administration, Capacity Building and Conferences.

NOTES TO THE FINANCIAL STATEMENTS.... cont.

9. OTHER INCOME

Description	2017-2018	2016-2017
	KShs	KShs
Sale of tender	3,000	0
Total other income	3,000	0

10.EMPLOYEE COSTS

Description	2017-2018	2016-2017
	KShs	KShs
Salaries and wages	36,277,482	1,883,294
Travel, motor car, accommodation, subsistence and other allowances	13,365,798	5,018,833
Club membership	56,688	0
Total Employee costs	49,699,968	6,902,127

11.REMUNERATION OF DIRECTORS

Description	2017-2018	2016-2017
	KShs	KShs
Chairman's Honoraria	1,044,000	522,000
Directors emoluments	3,442,000	1,388,000
Other allowances-Board retreat & training	2,646,854	3,629,555
Total director emoluments	7,132,854	5,539,555

12.DEPRECIATION AND AMORTIZATION EXPENSE

Description	2017-2018	2016-2017
	KShs	KShs
Property, Plant and Equipment	7,398,868	5,973,880
Total depreciation and amortization	7,398,868	5,973,880

* Depreciation is calculated on a straight-line basis at annual rates estimated to write off the cost of property and equipment over their expected useful lives. This approach, guideline and treatment of property, plant and equipment is in line with IAS 16 and IPSAS 17. NCIA fixed assets are not depreciated during the year of purchase, assets bought during the year are depreciated the following year. The rates used in calculation of depreciation are as listed below:

NOTES TO THE FINANCIAL STATEMENTS.... cont.

Asset Classification:	Rate
Motor vehicles	25.0%
Office equipment	33.3%
Computers	33.3%
Furniture and fittings	12.5%

13.REPAIRS AND MAINTENANCE

Description	2017-2018	2016-2017
	KShs	KShs
Routine office furniture & equip maintenance	209,177	0
General insurance motor vehicle & assets	194,664	0
Equip & system maintenance	38,280	0
Repair & servicing (motor vehicle)	471,810	604,857
ICT equipment	85,816	0
Purchase of office ICT equipment/accessories	52,220	0
Purchase of office software	23,200	
Total repairs and maintenance	1,075,167	604,857

14.GENERAL EXPENSES

Description	2017-2018	2016-2017
	KShs	KShs
Media & public ADR awareness	9,079,154	4,904,312
Admin fees	0	1,008,617
Audit fees	580,000	0
Conferences and catering services	7,971,806	15,559,288
Consultancy	1,415,434	0
Capacity building	50,000	0
Medical insurance	1,721,166	0
Internet services	254,400	0
WAN & LAN cabling	29,800	0
Customer satisfaction survey	46,660	0
Consumables	0	2,006,736
Cleaning services	692,784	0
Telephone services	1,496,374	361,869

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Courier services	249,719	126,985
Office stationery	790,861	0
Strategic plan & performance contract	487,332	0
ISO certification	146,400	0
Staff welfare programmes	12,890	0
Office rent, utilities & car park	768,600	0
Internship Programmes	443,508	0
Temporary committee	474,050	1,191,273
Promotional print materials	2,049,936	0
Library & reference books & materials	303,740	0
Advertising	0	2,569,479
Anti-corruption programmes	72,450	0
Staff training	8,747,257	2,536,282
Staff recruitment & induction	2,473,384	0
Staff retreat & team building	1,737,675	0
Subscription to intl & local professional bodies	183,267	0
Subscriptions to corporate membership	382,641	0
Implement public service programmes eg ACU	103,310	0
Other-Bank charges	141,868	0
Total general expenses	42,906,466	30,264,841

*There is no expenditure under consumables in 2017-2018 due to review of the reporting framework that adopts separation of expenditure into specific expenditure areas that include: fuel and oil, internet services, printing and stationery, ISO expenses, Car parking fees and promotional print materials.

15. CASH AND CASH EQUIVALENTS

Summary

Description	2017-2018	2016-2017
	KShs	KShs
Kshs. Current account	72,384,737	62,322,899
USD. Current Account* (USD 43,553.76)	4,444,363	4,267,613
Kshs. Client Trust Account	493,750	0
Total cash and cash equivalents	77,322,850	66,590,512

*The USD Current Account is indicated as International Mediation and Arbitration Account in FY 2016-2017 financial statements. Key CBK Indicative Exchange Rates as at 30th June 2018 was **Kshs** 102.0432 to the dollar.

NOTES TO THE FINANCIAL STATEMENTS.... cont.

Detailed Analysis

Financial institution	Account number	2017-2018	2016-2017
		KShs	KShs
Current account			
KCB Current Account	1180828607	72,384,737	62,322,899
KCB Dollar Account	1181122961	4,444,363	4,267,613
KCB Client Trust Account	1229086544	493,750	0
Total		77,322,850	66,590,512

*The KCB Client Trust Account was opened during the reporting period 2017-2018.

16. TRADE RECEIVABLES AND PREPAYMENTS

(a) TRADE RECEIVABLES

Description	2017-2018	2016-2017
	KShs	KShs
Receivables from non-exchange transactions	0	5,040,000
Total	0	5,040,000

*Kshs. 5,040,000 was refunded by the Office of the Attorney General and Department of Justice during the financial year 2017-2018

(b) PREPAYMENTS

Description	2017-2018	2016-2017
	KShs	KShs
Group medical insurance.	5,163,498	0
Motor Vehicle general insurance.	139,045	0
Motor Vehicle Fuel, oil & lubricants	800,000	0
Total	6,102,543	0

*The above prepayments relate to FY 2018/2019

NOTES TO THE FINANCIAL STATEMENTS.... cont.

17. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Furniture and fittings	Computers	Plant and equipment	Capital Work in progress	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2016	0	0	0	0	0	0
Additions 1st Jul 2016	11,071,750	8,911,552	5,213,280	1,069,000	0	26,265,582
Additions 30th June 2017	0	4,959,400	2,144,600	273,000	21,945,816	29,322,816
At 30th June 2017	11,071,750	13,870,952	7,357,880	1,342,000	21,945,816	55,588,398
Additions 2017/2018	0	3,233,550	4,243,722	3,950,154	3,080,496	14,507,922
At 30th June 2018 (At Cost)	11,071,750	17,104,502	11,601,602	5,292,154	25,026,312	70,096,320
Depreciation and impairment						
Depreciation 2016/2017	(2,767,938)	(1,113,944)	(1,736,022)	(355,977)	0	(5,973,881)
At 30 June 2017	(2,767,938)	(1,113,944)	(1,736,022)	(355,977)	0	(5,973,881)
Depreciation 2017/2018	(2,767,936)	(1,733,868)	(2,450,176)	(446,888)	0	(7,398,868)
At 30th June 2018 (Total)	(5,535,874)	(2,847,812)	(4,186,198)	(802,865)	0	(13,372,749)
Net book values						
At 30th June 2018	5,535,876	14,256,690	7,415,404	4,489,289	25,026,312	56,723,571
At 30th June 2017	8,303,812	12,757,008	5,621,858	986,023	21,945,816	49,614,517

*The figure appearing in the Property, Plant and Equipment of Kshs. 25,026,312 relates to Enterprise Resource Planning (ERP) System and refurbishment of NCIA offices as shown in the schedule below:

NOTES TO THE FINANCIAL STATEMENTS.... cont.

PROPERTY, PLANT AND EQUIPMENT.... Cont.

Work In Progress

Description	2017-2018	2016-2017
	KShs	KShs
ERP	6,078,864	2,998,368
Refurbishment of offices	18,947,448	18,947,448
Total deposits	25,026,312	21,945,816

18. REFUNDABLE DEPOSITS FROM CUSTOMERS

Description	2017-2018	2016-2017
	KShs	KShs
Client retention	1,894,745	1,894,745
Client fees account	493,750	0
Total deposits	2,388,495	1,894,745

*The figure above of Kshs., 1,894,745 represents retention money being 10% amount retained on behalf of Hawi Kenya Ltd which is a construction company carrying out refurbishment of NCIA offices on the 7th and 8th floors of Cooperative Bank House. Kshs. 493,750 represent client monies held in trust in on-going client cases.

19. FINANCIAL RISK MANAGEMENT

The Centre's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Centre's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise 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 entity's financial risk management objectives and policies are detailed below:

i. Liquidity Risk management

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

NOTES TO THE FINANCIAL STATEMENTS.... cont.

FINANCIAL RISK MANAGEMENT.... Cont.

ii. Capital Risk Management

The objective of the Centre's capital risk management is to safeguard the Centre's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2017-2018	2016-2017
	Kshs	Kshs
Capital fund	26,265,582	26,265,582
Accumulated surplus	111,494,887	93,084,703
Total funds	137,760,469	119,350,285
Cash and Bank Balances	77,322,850	66,590,512
Excess cash and cash equivalents	77,322,850	66,590,512
Gearing	69%	71%

20. RELATED PARTY BALANCES

(a) Nature of related party relationships

The Centre is related to:

- i) Government of Kenya;
- ii) Office of the Attorney General and Department of Justice;
- iii) Board of Directors; and
- iv) Key Management.

	2018	2017
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Government	122,700,000	129,000,000
Total	122,700,000	129,000,000
b) Compensation to directors		
Directors' emoluments	7,132,854	5,539,555
Total	7,132,854	5,539,555
c) Key management compensation		
Compensation to Registrar/CEO	5,811,312	1,802,341
Compensation to Key Management	8,869,959	0
Compensation to other Employees	35,018,697	5,099,786
Total	49,699,968	6,902,127

NOTES TO THE FINANCIAL STATEMENTS.... cont.

21. TAXATION

The Centre is a non-profit making state corporation and is exempted from taxation.

22. EVENTS AFTER THE REPORTING PERIOD

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

23. ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation under the Office of the Attorney General and Department of Justice. Its ultimate parent is the Government of Kenya.

24. CURRENCY

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

APPENDIX I: INTER-ENTITY TRANSFERS

	ENTITY NAME:	Nairobi Centre for International Arbitration		
	Break down of Transfers from the Office of the Attorney General and Department of Justice for Financial Year 2017-2018			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		22-08-2017	30,675,000	2017-2018
		03-11-2017	30,675,000	2017-2018
		15-02-2018	30,675,000	2017-2018
		26-04-2018	30,675,000	2017-2018
		Total	122,700,000	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			Nil	
		Total	Nil	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			Nil	
		Total	Nil	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			Nil	
		Total	Nil	

The above amounts have been communicated to and reconciled with the Office of Attorney General and Department of Justice.

Diana Njeru
 Senior F/A Officer
 NCIA

.....
 Head of Accounting Unit
 OAG&DOJ

Sign -----

Sign-----

APPENDIX II: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
NIL	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

