

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF

KENYATTA INTERNATIONAL CONVENTION

CENTRE

FOR THE YEAR ENDED

30 JUNE 2013

Vision, Mission and Core Values

Our Vision

To be Africa's premier MICE destination of choice.

Our Mission

To deliver expert value added services in promoting Kenya as a destination for Meetings, Incentives Travel, Conventions and Exhibitions (MICE) using state of the art technology in a sustainable manner.

Our Core Values

- Accountability.
- Diversity.
- Integrity.
- Justice and respect for rule of law
- Professionalism
- Inclusiveness
- Objectivity

THE KENYATTA INTERNATIONAL CONVENTION CENTRE

CORPORATION INFORMATION

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

BOARD OF DIRECTORS

Ibrahim Mutwafy	Chairman	Appointed Director on 19 th July 2011
Mr. Fred Simiyu	Ag. Managing Director and Secretary to Board	Acting from April, 2013.
Mrs. Beatrice Makawiti	Managing Director and Secretary to Board	Appointed on 8 th April, 2010 to April 2013
Permanent Secretary, Treasury	Alternate, Kenneth Waithiru	Appointed on 18 th June, 2010.
Permanent Secretary, Tourism	Alternate, Vincent Bwire	
Mr. Philip Kisia, MBS	Director	Appointed Director on 19 th July 2011
Sakina Dianga	Director	Ceased being Director on 9 th July 2012
Mohamud H. Ahmed	Director	Ceased being Director on 9 th July 2012
Nuria Dika Wario	Director	Ceased being Director on 9 th July 2012
Teresa Maina	Director	Ceased being Director on 9 th July 2012
Hildah Wambui Mugo	Director	Ceased being Director on 9 th July 2012
Grantton Samboja	Director	Ceased being Director on 9 th July 2012
Sakina Dianga	Director	Ceased being Director on 9 th July 2012
Mohamud H. Ahmed	Director	Ceased being Director on 9 th July 2012

THE KENYATTA INTERNATIONAL CONVENTION CENTRE

CHIEF OFFICERS

1.	Mr. Fred Simiyu	Ag. Managing Director
2.	Ms. Beverly Simiyu	Ag. General Manager, Sales and Marketing
3.	Mr. Obadiah Otieno	General Manager, Operations
4.	Mr. Mohammed Loo	General Manager, Finance and Administration
5.	Ms. Maureen Chogo	Legal and Regulatory Affairs Manager
6.	Mr. Joshua Kaunda	ICT Manager
7.	Mr. Charles Makoko	Supply Chain Manager
8.	Ms. Isabella Saburi	Executive Housekeeper
9.	Mr. John Otido	Security and Safety Manager
10.	Ms. Abigail Ayako	Human Resources Manager
11.	Mr. Bernard Asoro	Sales Manager
13.	Mr. Humphrey Odendo	Corporate Planning Manager
14.	Mr. Joel Terer	Technical Services Manager
15.	Mr. Johnsons Omwando	Internal Audit Manager
16.	Mr. Elijah Korir	Customer Services Manager
17.	Mr. Frederick Akhonya	Financial Controller

REGISTERED OFFICE AND THE PRINCIPAL PLACE OF BUSINESS

The Kenyatta International Convention Centre is a body Corporate established under the provision of the State corporations Act Cap 446 Legal notice No.77 of 2004. It is domiciled in Kenya.

Registered Office

The Kenyatta International Convention Centre

Harambee Avenue

P. O. Box 30746-00100

Nairobi – Kenya

Telephone - +254 – 20 - 2247277/90

Fax. - +254 – 20 – 310223

Email: info@kicc.co.ke

Website: www.kicc.co.ke

Bankers

Co-operative Bank of Kenya

City Hall Branch

P.O Box 44805-00100

Nairobi

Kenya

Kenya Commercial Bank

KICC Branch

P. O. Box 46950-00100

Nairobi

Kenya

Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers
P. O. Box 30084
Nairobi
Kenya

Principal Activities

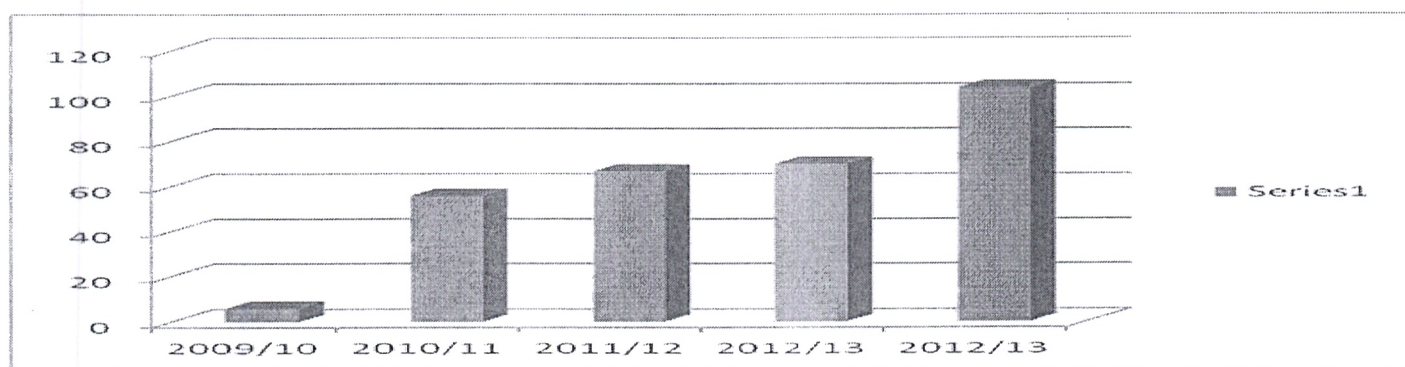
The principal activities of the Corporation are to:

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

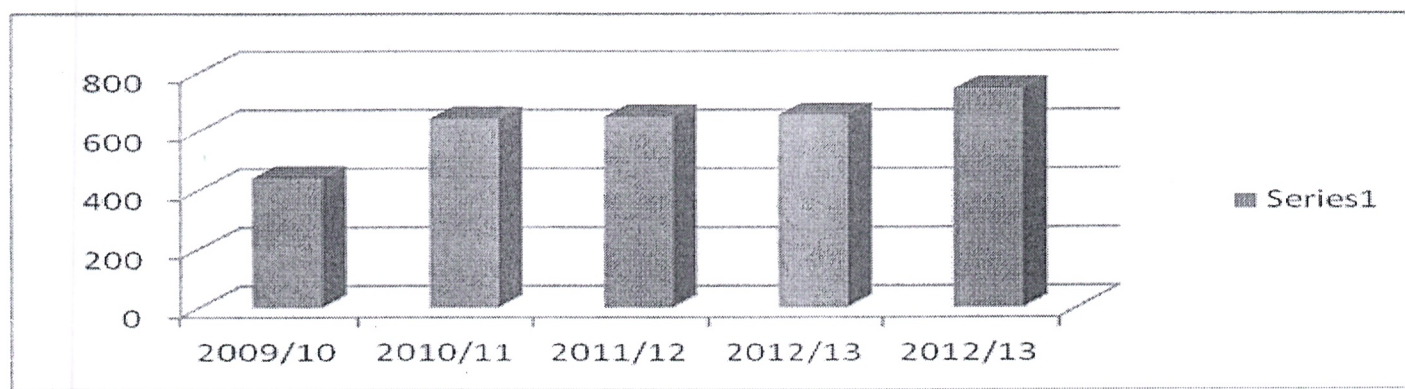
FIVE YEAR FINANCIAL REVIEW

	2012/13 KShs 'Millions	2012/13 KShs 'Millions	2011/12 KShs 'Millions	2010/11 KShs 'Millions	2009/10 KShs 'Millions
INCOME					
Turnover	447.36	355.03	326.73	303.65	257.24
Other operating income	297.51	300.56	322.78	339.18	182.86
TOTAL INCOME	744.87	655.59	649.51	642.83	440.10
Less: Cost of Sales	377.73	321.77	338.46	385.24	246.44
Gross Profit	367.14	333.81	311.05	257.76	193.56
OPERATING EXPENSES	263.32	263.80	244.26	201.63	187.73
Profit before tax	103.82	70.02	66.79	55.96	5.93
Taxation	31.14	21.01	19.32	16.79	1.78
Profit for the year	72.68	49.01	47.46	39.17	4.15

a) Profit before Tax (PBT) Kshs. Millions



b) Operating Income Kshs. Millions



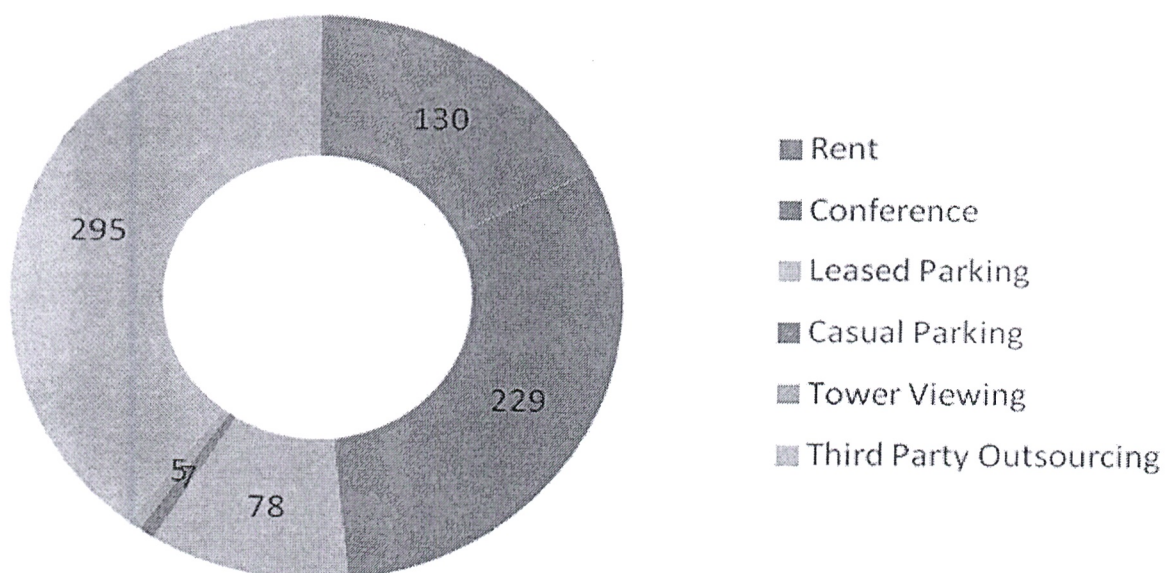
KEY PERFORMANCE INDICATORS FOR 2012/13

Profit before taxation was up by 48 % to KShs. 103.82 Million from KShs. 70.01 Million in 2011/12

Operating income up by 14 % to KShs. 744.87 Million from KShs. 655.59 Million in 2011/12

Operating expenses up by 9 % to KShs. 641.05 Million from KShs. 585.57 Million in 2011/12

REVENUE DISTRIBUTION FOR 2012/13



BOARD OF DIRECTORS' REPORT

The Board of Directors submits their report together with unaudited Financial Statements for the year ended 30 June 2013, which show the state of affairs of the Corporation.

Results

The trading results and financial report for the year are set out on pages 14 to 27.

CORPORATE GOVERNANCE AND ETHICS

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

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

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

Committees of the Board of Directors

There are three committees of the Board:

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

RISK MANAGEMENT

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

Operational Risk

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The State Corporations Act requires every State Corporation to keep proper books of accounts recording all the property, undertakings, funds, activities, contracts, transactions and other business. The Board is responsible for the proper Management of the affairs of the Corporation.

The State Corporations Act requires the Board of Directors to prepare Financial Statements, which give a true and fair view of the affairs of the Corporation as at the end of each financial year and of its profit or loss for the year. The Directors are required to ensure that the Corporation maintains proper accounting records, which disclose with reasonable accuracy, the financial position of the Corporation. They are also responsible for safeguarding the assets of the Corporation.

The Directors accept the responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, consistent with previous years, and in conformity with the International Financial Reporting Standards. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Corporation as at 30 June 2013 and of its profit for the year then ended. The Directors further confirm the accuracy and completeness of the accounting records maintained by the Corporation, which can be relied upon in the preparation of the financial statements as well as on adequacy of the internal financial controls.

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

This statement is approved by the Board of Directors and is signed on their behalf by:



Ibrahim Mutwafy
Chairperson



Fred Simiyu
Ag. Managing Director

Date...25/2/2014.....

Date...25/2/2014.....

THE KENYATTA INTERNATIONAL CONVENTION CENTRE

REPORT BY THE CHAIRPERSON

On behalf of the Board of Directors of the Kenyatta International Convention Centre (KICC), I am pleased to present to you a report on the performance of the Centre for the financial year ended June, 2013.

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

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

FINANCIAL RESULTS

The centre made a profit before tax of Kshs 103.82 million. This was an increase of 48% over the previous year's profit before tax of Kshs 70.02 million.

OPERATIONS

Convention revenues were mainly uplifted by the increase in the number of Commissions and constitutional offices set up at the centre. This in the end increased the Centre's key performance parameters. The centre's turnover was Kshs. 743.15 million compared to 655.58 million in the year 2012.

REVENUE

Gross turnover was Kshs 744.87 million compared to Kshs 655.58 million in 2012. This was as a result of more utilization of the meeting rooms in 2012/13 as compared to 2011/12.

FUTURE OUTLOOK

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

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

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The KICC remains committed to its social, economic, environmental and ethical responsibilities and this encompasses the way it interacts with all its stakeholders. KICC fully appreciates that its success is closely linked to the wellbeing and interests of shareholders, employees, customers, society and the community in which it operates.

The commitment to CSR is manifested in various initiatives in the areas of charity, the environment and sports.

In the area of charity, KICC partnered with Good Samaritan Children's home and Dreams Children home which offer accommodation/education to less privileged children.

THE KENYATTA INTERNATIONAL CONVENTION CENTRE

In 2012/13 it continued to support various charitable causes, in particular children's homes and also was co sponsors for this year's KCB safari rally.

In environmental issues, KICC partnered with Green Africa Foundation to plant 1,040 trees at the Nairobi School.

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

APPRECIATION

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

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

Thank you.



Ibrahim Mutwafy
Board Chairperson

REPORT BY THE MANAGING DIRECTOR

Our valued Stakeholders, it gives me pleasure to present to you this report for the year ended 30 June 2013. Allow me to highlight on key areas in our operations that are of great interest to you as our Stakeholders.

RESULTS

The Centre made a profit after tax of Kshs. 72.68 million for the year, compared to same period last year of Kshs. 49.01 million. The Centre's total income was Kshs. 744.87 million, a 14 percent increase when compared to the previous year's Kshs. 655.58 million. Operating income got a significant boost from Constitutional and various committees using the centre.

Currently the centre houses the Senate and the full impact of this income will be reflected in our 2013/14 accounts. Convention revenue went up 34.29 percent to Kshs.229.21 million, leased parking registered an increase of 11.17 percent increase to Kshs.77.69 million and Hire of equipment recorded a 9.37 percent increase to Kshs.123.70 million from Kshs.112.55 million in 2012. Due to increased activities, the cost of sales-third parties increased by Kshs.55.36 million. Overall, the administrative expenses increased by 1.89 percent to Kshs.4.99 million.

Profit after tax for the year grew by 38.89% to Ksh 68.07 million despite pressure from third party costs, depreciation and establishment costs. The company closed the year with a strong working capital position attributable to prudent management of working capital.

EMPLOYEE RETENTION AND MOTIVATION

The total staff establishment as at 30th June 2013 was 135 employees. Management of staff costs is a major initiative being undertaken. The Centre went through some changes in the top management team. This was necessitated by the expiry of Mrs. Beatrice Makawiti's term and my subsequent appointment as the Acting Managing Director. Ms. Beverly Muvoka, previously the Head of Customer Service, was appointed to act as the General Manager Sales and Marketing while Mr. Joel Terer, previously the Technical Services Manager, was appointed to act in the position of General Manager Operations, to replace Mr. Obadiah Otieno, who left the Corporation for greener pastures.

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

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

INFORMATION AND COMMUNICATIONS TECHNOLOGY

ICT continued to collaborate with our business systems users in order to identify and exploit opportunities for utilizing technology solutions to solve business problems. Among the projects completed in the period under review include: Enterprise Resource Planning (ERP) for finance

and procurement departments, installation of the digital signage system, and completion of the Convention Management Systems phase 1 and Data Storage offsite backup.

CONCLUSION AND FUTURE OUTLOOK

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

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



Fred Simiyu
Ag. Managing 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

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYATTA INTERNATIONAL CONVENTION CENTRE FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenyatta International Convention Centre set out on pages 14 to 27, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor-General's responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Basis for Qualified Opinion

1. Trade and Other Receivables

As similarly reported in the previous years, the trade and other receivables balance of Kshs.428,337,425 as at 30 June 2013 includes an amount of Kshs.417,377,481 owed by various Government Ministries, Departments and other organisations and which has been outstanding for a considerably long period of time. The balance relates to conference customers, Government and private customers and leased parking. Although the debt portfolio has been increasing over the years, no evidence has been seen to show that the management has made adequate recovery efforts. Further, no provision for bad and doubtful debts was made in the financial statements as at 30 June, 2013. Consequently, the recoverability and accuracy of trade and other receivables balance of Kshs.428,337,425 as at 30 June 2013 could not be confirmed.

2. Land

The value of land of Kshs.1 billion disclosed under Note 2, excludes land commonly referred to as Comesa parking area and the court yard on which Kenya's first President's monument stands. Further, the land on which Garden Square Restaurant stands is under dispute between the Corporation and the Nairobi City County and is awaiting determination of a Civil Suit No. 794 filed by the Restaurant's management in August 2001. The said land which management has indicated as unallocated is fenced and has been under the control of the Corporation over the years. Although the management indicates that it has requested the Government to have the land which has been under its control since the construction of the Centre allocated to it, the process had not been finalized by 30 June 2013. Consequently, accuracy of the balance reflected under land cannot be confirmed.

Qualified Opinion

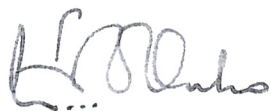
In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Centre as at 30 June 2013, and of its financial performance

and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Tourism Act, 2011.

Emphasis of Matter

I draw attention to the fact that the Centre has been operating without a board for over one year after revocation of the term of the previous board by the then Minister for Tourism through Gazette Notice No.10232 dated July 2012, and subsequently appointed other board members. However, the newly appointed members did not take up their duties due to a court case filed by the degazetted board members of various state corporations under the Ministry of Tourism, whose three years' terms had not expired.

As a result, the Corporation continues to operate without a full board which contravenes Section 6(1) of the State Corporations Act, Cap 446 and Tourism Act, No 28 of 2011, and also negatively affects its normal operations.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

15 April 2014

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
JUNE 30TH, 2013**

	<u>Notes</u>	<u>2012/13</u> <u>KShs</u>	<u>2011/12</u> <u>KShs</u>
<u>INCOME</u>			
Turnover	10	447,359,072	355,027,460
Other operating income	11	297,508,032	300,556,147
TOTAL INCOME		744,867,104	655,583,607
Less			
Cost of Sales	12	377,726,670	321,770,987
Gross Profit		367,140,434	333,812,620
<u>EXPENDITURE</u>			
Salaries and Wages	17	125,625,681	102,942,477
Boards Expenses		884,179	22,686,725
Insurance		12,166,200	10,942,965
Printing and Stationary		3,998,381	3,825,084
Medical Expenses		10,719,621	10,884,711
Staff Expenses		22,433,435	20,312,539
Travel and accommodation		4,866,830	4,625,355
Communication and Postage		2,863,709	3,952,356
Depreciation	Schedule A-page 25	64,880,914	67,544,862
Gratuity Pensions and Retirement Benefits		8,336,610	8,428,622
Provision for Audit Fees		400,000	400,000
Bank Charges		502,118	489,070
Corporate Social Responsibility		1,272,692	699,678
Research & Development		4,365,690	3,180,463
MICE Activities		-	2,880,848
TOTAL EXPENDITURE		263,316,060	263,795,756
Profit before tax		103,824,374	70,016,864
Taxation	Schedule C page 27	31,147,312	21,005,059
Profit After Taxation		72,677,062	49,011,805
Net profit for the period		72,677,062	49,011,805

The notes set out on pages 18 to 27 form an integral part of these accounts

THE KENYATTA INTERNATIONAL CONVENTION CENTRE

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
JUNE 30TH, 2013

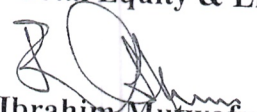
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THE KENYATTA INTERNATIONAL CONVENTION CENTRE

STATEMENT OF FINANCIAL POSITION AS AT 30/06/13

ASSETS		2012/13	2011/12
		<u>Kshs</u>	<u>Kshs</u> Restated
Non-current Assets	Note		
Property, Plant and Equipment	2	2,495,272,861	2,478,307,159
Work In Progress		95,693,979	59,708,864
Current Assets			
Trade and other receivables	3	428,337,425	299,842,587
Cash and cash equivalents	4	420,034,753	330,364,155
Total Assets		<u>3,439,339,019</u>	<u>3,168,222,765</u>
EQUITY AND LIABILITIES			
Shareholders' funds	5	2,902,346,304	2,805,797,931
Revenue Reserves	9	187,933,537	115,256,474
Total Equity		<u>3,090,279,841</u>	<u>2,921,054,405</u>
Currents Liabilities			
Creditors and accrued charges	7	290,094,590	206,838,883
Tax liability		58,964,587	40,329,477
Total Liabilities		<u>349,059,177</u>	<u>247,168,360</u>
Total Equity & Liabilities		<u>3,439,339,019</u>	<u>3,168,222,765</u>


Ibrahim Mutwafy
Chairperson


Fred Simiyu
Ag. Managing Director

Dated.....25/2/2014

Dated.....25/2/2014

The notes set out on pages 18 to 27 form an integral part of these accounts

THE KENYATTA INTERNATIONAL CONVENTION CENTRE

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 30 JUNE 2013

	Note	Shareholders Loans and Grants KShs.	Revenue Reserves KShs.	Total KShs.
Year Ended 30 June 2012				-
At 1 July, 2011	5	2,605,797,931	66,244,669	2,672,042,60
Net profit for the year		-	49,011,805	49,011,80
Total recognized income for 2011-12		-		
Grants and Loans	6	200,000,000	-	200,000,00
At 30 June, 2012		2,805,797,931	115,256,474	2,921,054,40
Year Ended 30 June 2013				
At 1 July, 2012	5	2,805,797,931	115,256,474	2,921,054,40
As Restated	5	24,548,374	-	24,548,37
Net profit/(loss) for the year		-	72,677,062	72,677,06
Grants and Loans - 2012-13		72,000,000	-	72,000,00
At 30 June 2013		2,902,346,305	187,933,536	3,090,279,84

The notes set out on pages 18 to 27 form an integral part of these accounts

THE KENYATTA INTERNATIONAL CONVENTION CENTRE

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED JUNE 30, 2013

	<u>Note</u>	<u>2012/2013</u> <u>KShs</u>	<u>2011/2012</u> <u>KShs</u>
<u>Cash flows from operating activities</u>			
Profit for the Year before Taxation		103,824,375	70,016,864
Add Back Non - cash items			
-Depreciation for the Year	Schedule A- Page 25	64,880,914	67,544,862
-Charge for Provision		9,856,969	-
Total Cash from Operations		178,562,257	137,561,726
<u>Increase/(decrease) in working capital</u>			
Accounts Receivables		(128,494,824)	7,291,998
Accounts Payables		83,255,707	(20,830,559)
Net Current Assets Movement		(45,239,132)	(13,538,561)
Net Cash generated from operating activities		133,323,125	124,023,165
<u>Cash flows from investing activities</u>			
Purchases of property, plant and equipments		(81,846,619)	(305,649,684)
Current year work in progress		(35,958,114)	(7,691,236)
Net Cash generated from (used in) investing activities		(117,831,733)	(313,340,920)
<u>Cash flows from financing activities</u>			
Receipts - Grants		72,000,000	200,000,000
Shareholder's Account		2,179,204	-
Net Cash generated from (used in) financing activities		74,179,204	200,000,000
Net increase/(decrease) in cash and cash equivalents		89,670,597	10,682,245
<u>Movement in Cash and Cash Equivalents</u>			
At the start of the year		330,364,157	319,681,912
Increase		89,670,597	10,682,245
At end of year	4	420,034,754	330,364,157

The notes set out on pages 18 to 27 form an integral part of these accounts

NOTES TO THE FINANCIAL STATEMENTS

Note

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRSs) and on the historical cost convention.

(b) Compliance

Accounts are prepared in compliance with the State Corporations Act Cap 446 , and Exchequer and Audit Act -Cap 412 , Laws of Kenya

(c) Revenue

Revenue represents the fair value of the consideration received or receivable for the sale of goods and services, and is stated net of Value-added tax (VAT), rebates and discounts.

(d) Property, Plant and Equipment

All categories of property, plant and equipment are initially recorded at cost. With exception of freehold land all other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment in value.

The applicable rates of depreciation per annum are as set out below

	<u>Class of Asset</u>	<u>Rate (%)</u>
i.	Buildings	2.50
ii.	Furniture	12.50
iii.	Others	12.50
iv.	Carpets	12.50
v.	Office Equipment	30.00
vi.	Motor Vehicles	25.00
vii.	CCTV cameras	30.00
viii.	Software's	33.33
ix.	Plant and Equipment	12.50
x.	Communication Equipment	12.50

It is the Corporation's policy to provide for depreciation using the reducing balance method. Property and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in the income statement in the year the item is de-recognized.

(e) Intangible Assets

Software license costs are stated at historical cost less estimated accumulated amortization and accumulated impairment losses. Amortization is calculated using the reducing balance method to write down the cost of the software to its residual value over the estimated useful life using an annual rate of 33.33%.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- (f) **Translation of Foreign Currencies**
Transactions in foreign currencies during the year are converted into the functional currency, Kenya Shillings, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at the yearend exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.
- (g) **Short Term Investments**
These are assets held by the Corporation for a period of less than one financial year in the course of its business. They are recognized at their fair value in the accounts.
- (h) **Cash and Cash Equivalent**
For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, bank balances and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.
- (i) **Receivables**
Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate. A provision for impairment is recognized in the profit and loss account in the year when the recovery of the amount due as per the original terms is doubtful.
- (j) **Creditors and Accrued Charges**
These represent all short term indebtedness of the Corporation that are payable within the next 1 year.
- (k) **Provisions**
Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. These are charged to the accounts based on actual amounts set aside as shown in Schedule B.
- (l) **Employee Benefits**
The Corporation has staffs that are on contract and entitled to gratuity payments at the end of their contracts. The amount due for each is provided for at the rate specified in the agreement and charged to the income statements in the year to which it relates.
The Corporation contributes to a statutory defined contribution pension scheme (NSSF) at the rate of KShs.200/= per employee as per the statute, and another defined contribution benefit scheme managed by Jubilee Life at a rate of 7.5 % of each eligible employee's basic pay. The Corporation's contributions for both are charged to the income statement in the year to which they relate.
- (m) **Cashflow Statement**
This is provided in compliance with IAS 7
- (n) **Taxation**
Current taxation is provided on the basis of the results for the year as shown in the financial

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Statements adjusted in accordance with the tax legislation and across reference provided on Schedule C on page 27.

- (o) It is the policy of the corporation to treat government capital grants received during the year as deferred income and is recognized as income over the useful life of the asset concerned

2 PROPERTY, PLANT AND EQUIPMENT

The value of assets brought into service during the year under review was KShs. 81,846,619/=

The value of tangible assets has been arrived at as follows :-

Tangible Assets as at June 30	2012/2013	2011/2012
	KShs	KShs
Free Hold Land	1,000,000,000	1,000,000,000
Others	1,966,460,460	1,884,613,840
	2,966,460,460	2,884,613,840
Less: Accumulated Depreciation	471,187,598	406,306,682
Net Tangible Assets as at June 30 as per the movement schedule	2,495,272,862	2,478,307,158

Detailed movements of tangible assets are set out in page 25 Schedule A

2.1 WORK IN PROGRESS

The Work In Progress relate to ongoing projects at KICC

2012/2013	2011/2012
KShs	KShs

3. TRADE AND OTHER RECEIVABLES

Accounts receivables	417,377,481	271,394,950
Pre payments	7,356,528	10,788,247
Customer Deposits	2,149,778	2,149,778
Receipt Control	398,730	673,324
Staff Advances	1,054,908	1,524,577
VAT III	-	13,311,711
GROSS DEBTORS	428,337,425	299,842,587

4. CASH AND CASH EQUIVALENT

The balance of Cash on Hand consists of the following:-

	2012/2013	2011/2012
	KShs	KShs
Development account	1,768,314	121,974,428
KCB FDR	204,100,000	100,000,000
Co-Operative Bank	63,627,082	24,409,333
Co-Operative Bank FDR	108,136,050	28,663,685
KCB Operations Account	27,562,531	40,484,517
Dollar Account (KShs equivalent)	14,830,862	14,802,193
Petty Cash	9,913	29,998
TOTAL CASH AND CASH EQUIVALENT	420,034,753	330,364,154

THE KENYATTA INTERNATIONAL CONVENTION CENTRE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SHARE HOLDERS FUNDS

	2012/2013	2011/2012
	KShs.	KShs.
Assets B/F	2,805,797,931	2,605,797,931
Shareholders released fund	-	-
Grants - Note 6	72,000,000	200,000,000
Co-operative bank FDR Restated	24,548,374	-
Total Shareholders' Funds	2,902,346,305	2,805,797,931

5.1	(i) Grant received for the security improvement project	72,000,000	200,000,000
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6. GOVERNMENT GRANTS

These consists of the following:-

	2012/2013	2011/2012
	KShs	KShs
GOK Grant from MoT/Treasury	72,000,000	200,000,000
Total	72,000,000	200,000,000

Grants received are for the Security Enhancement Project of the centre and is capital in nature and treated as deferred income.

7. TRADE & OTHER PAYABLES

Details of Creditors and Accrued charges for the year ended June 30 are as follows

	2012/2013	2011/2012
	KShs	KShs
Payables	196,516,305	130,702,032
Receipts in Advance	58,153,490	43,145,606
Exposure Grants	315,969	315,969
Provisions (Page 25 Schedule B)	14,926,972	11,604,906
Deposits	5,632,424	4,282,424
VAT 3-KRA	13,859,885	-
Tax brought forward	-	36,112,364
Convention Service Charge	689,545	-
GRAND TOTAL	290,094,590	226,163,300

THE KENYATTA INTERNATIONAL CONVENTION CENTRE

7.1

TAX LIABILITY

	Kshs.	Kshs.
Tax b/f	57,117,423	36,112,364
Tax for the year	31,147,313	21,005,059
Tax Paid	(29,300,149)	-
TOTAL	58,964,587	57,117,423

8. MOVEMENT IN PROVISIONS

Details of movements in Provisions and Reserves are set out in page 26

	KShs.	KShs.
Provisions B/F	11,604,906	14,829,297
Payments/Transfers	(6,534,903)	(9,695,591)
Charge for the year	9,856,969	6,471,200
Total	14,926,972	11,604,906

9. NET APPROPRIATION ACCOUNT

Movements in the Appropriation Account are as set out below:-.

	KShs	KShs
Surplus Brought forward	115,256,474	66,244,669
Add: Profit/(Loss) for the period	72,677,063	49,011,805
Cumulative surplus carried forward	187,933,537	115,256,474

10. TURNOVER

	2012/2013	2011/2012
	KShs	KShs
Rent	128,668,769	122,040,253
Convention	229,213,842	150,617,116
Leased Parking	77,688,466	69,881,717
Casual Parking	6,653,478	6,260,353
Tower Viewing	5,134,517	6,228,020
Total	447,359,072	355,027,460

THE KENYATTA INTERNATIONAL CONVENTION CENTRE

11. OTHER OPERATING REVENUE

	2012/2013 KShs	2011/2012 KShs
Tender fees	2,338,060	2,718,000
Electricity & Security	5,477,000	7,051,898
Miscellaneous	221,976	433,006
Catering	156,006,976	168,462,744
Hire of equipment	117,520,058	105,494,945
Others- interest received and Tender fees	12,995,907	16,395,554
Gain on Foreign Exchange	2,948,056	-
Total	297,508,032	300,556,147

12. COST OF SALES

	KShs	KShs
Advertising and Publicity	19,951,477	18,806,096
Third Party Costs	177,455,479	149,483,437
Consumable Stores	2,197,831	1,818,520
Contracted Professional Services	30,781,127	33,320,906
Electricity	53,932,945	60,265,594
Participation in Exhibition	23,664,555	16,413,177
Professional Fees	15,106,027	6,093,032
Repairs and Maintenance	46,155,324	35,334,935
Water and Conservancy	8,174,692	1,799,411
Casual wages	307,212	1,040,000
Fumigation and pest control	-	772,743
Total	377,726,670	321,770,987

CONTINGENCIES

13.

Pending Bills

The Corporation does not have any outstanding contingencies

14. COMMITMENTS

The Corporation makes a commitment where it has some contractual obligation arising out of services/goods supplied or to be supplied. Capital commitments contracted for at the year are as highlighted below.

Security Enhancement Project and Conference Management System Respectively	72,000,000	200,000,000
Total	72,000,000	200,000,000

THE KENYATTA INTERNATIONAL CONVENTION CENTRE

CURRENCY

15. The financial statements are presented in functional currency, Kenya shillings (KShs), which is the prevailing currency within the primary economic environment.

16.	<u>FULLY DEPRECIATED ASSETS</u>	
	The Corporation enjoys economic benefit from assets that have been fully depreciated. These include an old generator and motor vehicles.	
17.	<u>SALARIES AND WAGES</u>	<u>Kshs.</u>
	Basic	74,516,192
	Allowances	58,212,585
	Gross	116,605,846
	Bonus	6,164,769
	Wages	2,855,065
	Totals	125,625,680

THE KENYATTA INTERNATIONAL CONVENTION CENTRE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED JUNE 30TH, 2013 Schedule A

	Land	Building	Furniture	Others	Carpets	Office Equipment	Motor Vehicles	CCTV Cameras	Software's	Plant and Equipments	Communication Equipments	TOTAL
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	-	-	-	-	Shs
		<u>2.5%</u>	<u>12.5%</u>	<u>12.5%</u>	<u>12.5%</u>	<u>30.0%</u>	<u>25.0%</u>	<u>30.0%</u>	<u>33.33%</u>	<u>12.5%</u>	<u>12.5%</u>	
COST/VALUATION												
Balance as at 1-7-2012	1,000,000,000	1,549,338,142	124,630,266	5,879,299	15,274,490	44,655,292	16,335,409	37,044,867	17,783,437	32,310,076	41,362,563	2,884,613,841
Additions during the period	-	21,709,983	4,283,548	-	1,800,966	1,289,279	-	-	3,594,162	42,246,006	6,922,675	81,846,619
Sub-Total	1,000,000,000	1,571,048,125	128,913,814	5,879,299	17,075,456	45,944,571	16,335,409	37,044,867	21,377,599	74,556,082	48,285,238	2,966,460,460
Balance as at 30-6-2013	1,000,000,000	1,571,048,125	128,913,814	5,879,299	17,075,456	45,944,571	16,335,409	37,044,867	21,377,599	74,556,082	48,285,238	2,966,460,460
DEPRECIATION												
As at 1-7-2012	-	227,576,485	65,937,608	2,075,780	4,822,433	23,655,091	11,080,726	29,859,032	11,521,744	14,942,567	14,835,218	406,306,684
Charge for the Period	-	33,376,486	7,619,300	475,440	1,512,868	6,387,211	1,313,671	2,155,751	3,284,956	5,091,311	3,663,920	64,880,914
As at 30-6-2013	-	260,952,971	73,556,908	2,551,220	6,335,301	30,042,302	12,394,397	32,014,783	14,806,700	20,033,878	18,499,138	471,187,598
Net Value												
As at 1-6-2013	1,000,000,000	1,310,095,154	55,356,906	3,328,079	10,740,155	15,902,269	3,941,012	5,030,085	6,570,899	54,522,204	29,786,100	2,495,272,861
As at 1-7-2012	1,000,000,000	1,321,761,657	58,692,659	3,803,519	10,452,057	21,000,201	5,254,683	7,185,835	6,261,693	17,367,509	26,527,345	2,478,307,158

WORK IN PROGRESS CONSISTS OF THE FOLLOWING PROJECTS

Description	2013/2014	2012/2013
	KShs	KShs
Building Refurbishment	-	14,760,561
Enterprise Resources Planning Phase 1 (ERP)	-	3,594,162
Conference Management System	88,831,376	41,354,142
Enterprise Resources Planning Phase 2 (ERP)	874,385	-
Interior Design of Rooms	1,212,466	-
Balanced Score Card	4,775,752	-
TOTAL	95,693,979	59,708,865

Schedule B

NOTES TO THE FINANCIAL STATEMENTS (Continued)

MOVEMENT IN PROVISIONS AND RESERVES TO JUNE 30TH, 2013

	Staff Pensions	Audit Fees	Operating Expenses	Bad & Doubtful Debts	T O T A L
	KShs	KShs	KShs	KShs	KShs
Balance as at 1st July 2012	6,263,174	400,000	2,099,995	2,841,737	11,604,906
Charges in the Accounts	3,292,200	400,000	6,164,769	-	9,856,969
Total	9,555,374	800,000	8,763,371	2,841,737	21,461,875
LESS					
Payments/Transfers	(3,632,993)	-	(2,901,910)	-	(6,534,903)
Balance as at June 30,2013	5,922,381	800,000	5,362,854	2,841,737	14,926,972

THE KENYATTA INTERNATIONAL CONVENTION CENTRE

Schedule C

INCOME TAX COMPUTATION

FOR THE YEAR ENDED JUNE 30TH, 2013

	NOTE	2012/13 KShs.	2011/12 KShs.
LOSS/PROFIT PER ACCOUNTS		103,824,375	70,016,864
ADJ'S RE CAPITAL EXPENDITURE			
Wear And Tear Allowance	Schedule A	64,880,914	67,544,862
Industrial Building Allowance		-	-
Farm Works Allowance		-	-
Investment Deduction		-	-
Depreciation		(64,880,914)	(67,544,862)
ADJ'S RE DISPOSAL OF FIXED ASSETS			
Profit/Loss Per Accounts			
DISALLOWABLE REVENUE EXPENDITURE			
OTHER INCOME TO BE TREATED SEPERATELY			
Exempt Dividend Income			-
Rent Income To Be Taxed Separately			
ADJUSTED PROFIT / LOSS		103,824,375	70,016,864
LOSS B/FWD			-
CHARGEABLE INCOME LOSS C/FWD		103,824,375	70,016,864
Tax payable	30%	31,147,312	21,005,059
Less: Withholding tax			
Less: Advance tax		-	-
Less: Import Duty Set off (S39A)		-	-
Add: Tax Arrears' B/F		-	-
Less: presumptive income tax		-	-
TAX PAYABLE		31,147,312	21,005,059