REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Paper Laid on the Table of the House by the Majority Whip [Hon. Benjamin Washiali] on Thursday 21st June 2018 (Afternoon)

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF KENYATTA INTERNATIONAL CONVENTION CENTRE

FOR THE YEAR ENDED 30 JUNE 2016

The Kenyatta International
Convention Centre

Kenyatta International Convention Centre

REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2016

Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)

CONTENTS

KEY ENTITY INFORMATION

Background information

The Kenyatta International Convention Centre (KICC) was established as a Corporation under the Tourism Act 2011.

Principal Activities

The principal activities of the Corporation are to:

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

Directors

The Board of Directors are shown on page iii.

Corporate Headquarters

Kenyatta International Convention Centre,
P.O. Box 30746 - 00100
KICC Building
Harambee Avenue
Nairobi, KENYA

Corporate Contacts

Telephone: (254)-20-2247277, 3620000
Fax: (254)-20-310223
E-mail: info@kicc.co.ke.
Website: www.kicc.co.ke

Corporate Bankers

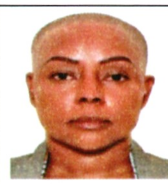
Kenya Commercial Bank
KICC Branch, Harambee Avenue
P.O. Box 46950-00100
City Square 00200
Nairobi, Kenya

Co-Operative Bank of Kenya
City Hall Branch
P.O Box 44805-00100
Nairobi
Kenya

Independent Auditors

Auditor General
Office of Auditor General (OAG)
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

THE BOARD OF DIRECTORS

Hon. Omingo Magara, MGH	Chairman		• MBA in Strategic Management • CPA(K) and a Member of ICPAK • Y.O.B: 1965
Ms. Nana Gecaga	Chief Executive Officer and Secretary to the Board		• MBA Roehampton University(Online) • BA(AIU) UK • Over 17 years experience in Public Relations and Marketing • Y.O.B: 1978
Mrs. Fatuma Hirsi Mohamed, CBS	Permanent Secretary – Ministry of Tourism		• Certified Professional Mediator and a Fellow of the Public Relations Society of Kenya(PRSK) • Wide experience in Telecom, Media and Banking • Y.O.B: 1963
Ms. Kavi Mwendwa	Director		• Certificate in Food and Beverage • Over 24 years experience in Hospitality Industry • Y.O.B: 1965
Ms. Lucy Macridis	Director		• Certificate from CIM. • Wide experience in Tourism Industry • Y.O.B: 1967
Mrs. Jane Adam	Director		• Bsc in Tourism and Hospitality Management. • Over 30 years experience in Tourism Industry • Y.O.B: 1961
Mr. Kenneth Waithiru	Alternate to Permanent Secretary – National Treasury		• Msc Economics • Over 27 years experience in Public Service • Y.O.B: 1965

SENIOR MANAGEMENT TEAM

Ms. Nana Gecaga	Chief Executive Officer		• MBA Roehampton University(Online) • BA(AIU) UK • Over 17 years experience in Public Relations and Marketing • Y.O.B: 1978
Mr. Gerald Kirimi	Ag. General Manager, Finance & Administration		• BCom (Finance), CPA(K) and a member of ICPAK with more than 12 years experience. • Y.O.B: 1978
Ms. Beverly Simiyu	General Manager, Sales & Marketing		• MBA in Strategic Management • More than 20 years experience • Y.O.B: 1974
Eng. Joel Terer	General Manager, Operations		• MBA in Strategic Management • Bachelor of Science in Engineering with more than 15 years relevant experience • Y.O.B 1973

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of the Kenyatta International Convention Centre (KICC), I am pleased to present to you the Annual Report and Financial Statements of the Corporation for the year ended 30th, June 2016.

During the year 2016, the Kenyan destination faced challenging business environment, which did affect the operations of the venue-KICC, the numerous travel advisories and other forms of security alerts issued by governments of the Western countries, the negative international media reports, growing threat of terrorism and local security incidents cumulatively led to a significant slowdown in conference bookings.

Other factors like the general subdued global economic and business conditions, increase in maintenance and operating costs, did also affect our operations.

Despite the above challenges, the Corporation took necessary measures to safeguard Governments' shareholding value, meet its financial commitments-short and long term, renovate/maintain the facility in good condition to international standards/service and also took deliberate efforts in implementing efficiency measures to reduce procurement and general operating costs without compromising our operating standards.

During the year under review, the Corporation achieved a turnover of KShs. 1.097billion (2015: KShs. 1.070 billion) and loss after Tax of KShs.65.43 million (Profit 2015: KShs. 92.41 million).

The Corporation continues to be a significant contributor to the Meetings, Incentives, Conferences and Exhibitions (MICE) Tourism growth in Kenya.

The Conference business outlook for the year 2016 was positive with the WTO being the signature event. The future is positive with more high profile conferences lined up namely; the Tokyo International Conference On African Development(TICAD), the United Nations Conference on Trade and Development(UNCTAD) have been confirmed, while Management is hopeful for a recovery during the year, increased efforts to ensure that all operational and tactical strategies geared towards securing higher business levels and protecting top and bottom lines have been put in place.

The Corporation continues to implement appropriate Human Resources Management (HRM) practices and sound Corporate Social Responsibility (CSR) programs that complement its long-term business strategy, just as it continues to pursue new MICE business opportunities in the Counties in line with its diversification policy and strategy.

As has been the case, the Board and Management remain confident that, notwithstanding the challenging business environment, the Corporation has the inherent strength and business resilience to continue to focus on its long-term growth prospects, thus maintaining its market share and its leading position in the MICE industry.

I would like to express my sincere appreciation to my fellow Board members, the Management team and the KICC staff and all our stakeholders for their support and request for the same into the future.

Thank you.

....

Mrs. Jane Adam
For: Board Chairman

REPORT OF THE CHIEF EXECUTIVE OFFICER

This is the second year in a row that the Corporation achieved a milestone in exceeding the Kshs.1 Billion mark turnover.

Revenue increased from Kshs.1.070 Billion to Kshs.1.097 Billion driven by increased conference activities.

BUSINESS PERFORMANCE

During the year under review, the Corporation achieved a turnover of Kshs.1.097 billion (2014/15: Kshs.1.070 billion), an increase of 33% but made of a loss of Kshs.217.8 Million.

Conference revenue was down 25% to Kshs.205.7 million, leased parking registered an decrease of 1 % increase to Kshs.126.993 million, Tower viewing was up by 15% to Kshs.8.661 million, rent income was up by 9% to Kshs.178.296 and other revenues (Hire of equipment, catering etc) recorded a 34% increase to Kshs.574.157 million from Kshs.429.587 million in 2014/15.

With improved turnover, the Administrative and selling costs increased by 28%, while the Selling and distribution costs increased by 55%.

Staff motivation improved through a culture change program resulting to increase in productivity and efficiency improvements.

Loss after tax for the year was Kshs.217.8 million, mainly attributable to the hoisting of the high profile World Trade organization (WTO) event.

EMPLOYEE PRODUCTIVITY

Training and exposing staffs to the best international standards continue to remain at the core of our Human Resource Management strategy. In this financial year, training and exposures both local and international have been carried out across all cadres of staffs to develop the relevant skill gaps. Budgetary allocations are prioritised in Human capital development initiatives.
In the coming Financial year we undertake to continue offering the following trainings; Talent Management trainings, Management level development trainings, Corporate culture change training, Integrity awareness training, Corporate Governance training to mention but a few.

We continue to invest in recruitment and development of human Resources. As we diversify our business, we strive to attract and retain the best talent that will enhance the Corporation's performance.

INTERNATIONAL STANDARDS

Our commitment to quality in our services and processes remain steadfast. Complying to the requirements of ISO 9001:2008 ensures that the Corporation not only retains its status as an ISO 9001:2008 certified institution but that continuous improvement, research and development and ongoing review of processes is systematically done to ensure that our processes and strategies remain current and relevant in the ever dynamic business environment. In the long run there is positive impact on revenue, quality, costs, and customer satisfaction.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

ICT continued to collaborate with our business systems users in order to identify and exploit opportunities for utilizing technology solutions to solve business problems. Among the projects completed in the period under review include: Enterprise Resource Planning (ERP) integrating Finance, Stores and Marketing departments, installation of the internal audit software, and completion of the Convention Management Systems phase 2 and Data Storage offsite backup. The Corporation is also on the Integrated Financial Management Information System (IFMIS) as per the Government requirement to all Government agencies

FUTURE OUTLOOK

The outlook for the Meetings, Incentives, Conferences and Exhibitions (MICE) Industry remains robust and resilient. MICE is the fastest growing arm of tourism.

I believe that KICC has the right strategy, brand, resilience and people to take it to the next phase of growth.

Priority
Our priority in 2016/17

- To sustain and indeed increase our Corporations profitability momentum.
- Improve on the Capacity utilization of our meeting rooms.
- Cost containment initiatives and innovations.
- Aggressive risk management and value addition initiatives.
- Development of our talent and leadership capabilities.
- Improvement on our customer level delivery.

I would like to thank the Board of Directors, the entire management and staff for their distinctive culture of delivering value to our shareholders. Our accomplishments would not have been possible without the dedication and expertise of our employees at the Centre.

Lastly, I anticipate that year 2016/17 will bring its own unique blend of successes and challenges. We are poised to face these challenges the best way we can, and to celebrate our successes.

Ms. Nana Gecaga
Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT

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

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

The Corporation is committed to fighting corruption 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 while getting value for money committed.

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

Implementation of access controls.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Sports& Health

There's just something about the sports dynamic that transcends all social, political and ethnic barriers. Its substance cuts across educational levels, religious preferences and all language groups with a magnificent ability to unite different people with a common interest and fascination. Sport has and always will be a powerful communication tool.

Sports has provided an avenue to bridge gaps within communities amongst people of different ages, religions and cultures by giving these people immense hope. Those people that participate actively in sport itself are rewarded with reduced stress levels, better esteems, better health and more importantly development of teamwork.The KICC has organized and sponsored sporting activities as part of CSR in order to realize a better community. These sporting activities include; Golf events, Football, Athletics, namely the Nandi Marathon, The GEMS International Football Friendly football match and The Phyllis Kandie Gold Tournament in support of Beyond Zero Campaign.

Environment

The KICC recognizes that the role of trees and forests in our ecosystems is absolutely critical. Trees and their existence cannot be ignored as they have social, communal, environmental and economic benefits to every community.

In general, planting of trees and ensuring their survival contribute majorly to provision of clean air, job opportunities, water catchment areas, Carbon Sequestration, increased property value, temperature control, flood controls and are a natural habitat to some species.

Trees are known to make life nicer. It has been shown that spending time among trees and green spaces reduces the amount of stress that we carry around with us in our daily lives. It helps foster neighbourhood and that feeling of wanting to be outdoors as well as complement the architecture or design of buildings or entire neighbourhoods. They are also known to reduce the urban heat island effect through evaporative cooling and reducing the amount of sunlight that reaches parking lots and buildings. This is especially true in areas with large impervious surfaces, such as parking lots of stores and industrial complexes.

It is in light of this that the KICC continues to carry out tree planting activities outside the Centre where there is the existence of a global forest. This year, the management undertook the planting of 1000 tree seedlings at the Kenyatta University Main Campus, Nairobi.

Vulnerable Groups

Responsible citizenship is the duty of every man. The management of the KICC was privileged to organize and sponsor a full fun day for Maisha Bora Children's home whose main base is in Karen, Nairobi.

The KICC management incorporated the participation of staff and their children who jointly learned from one another during the interactive confidence building fun day that was held at the Centre. The Management of KICC was able to arrange for a range of games and activities of an entire day's programme and also distributed essentials worth a half a million to benefit the children's home.

Education

The KICC sponsored the Miss University Contest held at the Centre for the second year in November, 2015. The event was aimed at creating leadership at the University level through choosing a representative who carries the face of educational institutions from around the country. The selection of the delegates was merited to the academic brilliance of the individuals.

The Miss Tourism Kenya pageant is officially sponsored by the management of KICC. In this financial year, the KICC hosted all the Pageants' events; we actively hosted training for the county delegates to impact knowledge on the strength and development of M.I.C.E tourism within the destination. The KICC further awarded the winning delegate a Meeting, Incentives, Conference, Exhibition (M.I.C.E) educational sponsorship where the delegate was recognized and will travel to learn as the National M.I.C.E ambassador.

Moreover, the KICC continues to support the best MICE student in Kenya Utalii College every year by awarding and encouraging them to take up MICE advanced courses.

REPORT OF THE DIRECTORS

The Auditor General submit his report together with the audited financial statements for the year ended June 30, 2016 which show the state of the Corporation's affairs.

Principal activities

The principal activities of the Corporation are to:

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

Results

The results of the entity for the year ended June 30, 2016 are set out on page 1 to 23.

Dividends

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

Directors

The Board of Directors shown on page iii.

Auditors

The Auditor General is responsible for the statutory audit of the Corporation in accordance with the Section 81(4) of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 require the Directors to prepare financial statements which give a true and fair view of the state of affairs of the Corporation at the end of the financial year and the operating results of the corporation for the year. The Directors are also required to ensure that the corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the corporation. The Directors are also responsible for safeguarding the assets of the Corporation.The Directors are responsible for the preparation of the corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year ended on June 30, 2016.

This responsibility includes:

(i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;

(ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;

(iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;

(iv) Safeguarding the assets of the Corporation;

(v) Selecting and applying appropriate accounting policies; and

(vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that KICC's financial statements give a true and fair view of the state of transactions during the financial year ended June 30, 2016, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Kenyatta International Convention Centre's financial statements were approved by the Board on ....27/7/.... 2017 and signed on its behalf by:

for **Board Chairman**

Chief Executive Officer

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYATTA INTERNATIONAL CONVENTION CENTRE FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenyatta International Convention Centre set out on page 1 to 23, which comprise the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity and reserves, 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.

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 47 of the Public Audit Act, 2015.

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 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. 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. Property, Plant and Equipment

1.1. Land

As previously reported, the property, plant and equipment balance of Kshs.4,032,762,000 as at 30 June 2016 includes the value of land of Kshs.1 billion disclosed under Note 13 but excludes land commonly referred to as COMESA parking area and Court yard on which the first Kenya President's monument stands. Further, the land on which Garden Square Restaurant stands is under dispute between the Corporation and the Nairobi City County. However, a letter from the Chief-of-Staff and Head of Public Service to the Cabinet Secretary, Ministry of Lands clarified that the land in dispute has since been gazzetted as a national monument and a part of the Corporation. In addition, the Cabinet Secretary was directed to urgently issue ownership documents to the Corporation. The above notwithstanding, the management has not availed any proof that such title documents have been acquired. It has also been noted that the land on which the Kenyatta International Convention Centre building stands is not registered in the name of the Corporation although its value is included in the financial statements.

1.2. Valuation of Assets

The statement of financial position reflects a figure of Kshs.4,032,762,000 under property, plant and equipment as at 30 June 2016. However, it is noted that the last valuation for assets was conducted in 2006, over ten (10) years ago thereby contravening the International Accounting Standard No.16 which stipulates that property, plant and equipment should be revalued after every five years.

In the foregoing, it has not therefore been possible to confirm whether property, plant and equipment balance of Kshs.4,032,762,000 as at 30 June 2016 is fairly stated.

2. Long outstanding Trade and Other Receivables

As similarly reported in the previous years, trade and other receivables balance of Kshs.573,795,000 as at 30 June 2016 includes an amount of Kshs.445,000,000 which has been outstanding for over one year, the bulk of which is owed by various Government Ministries and Departments. In particular, the National Assembly owes Kshs.47,311,344 and which has been outstanding for considerably long period of time. Apparently, no evidence was made available for audit verification to indicate that the management has made adequate recovery efforts for these debts and that no provision for bad and doubtful debts has been incorporated in the financial statements.

3. Flawed Procurement Process - World Trade Organization (WTO) Conference

During the 10th WTO ministerial conference held at the Kenyatta International Convention Centre, the Corporation made tender awards for goods and services and works to various firms. A review of the procurement process however revealed that the procurement process was executed in total disregard of the Public Procurement and Disposal Act, 2005 and Public Procurement and Disposal regulations, 2006 as enumerated hereunder : -

(i) Key procurement records including minutes of tender committee meetings that deliberated on some of the procurement, contract documents and local purchase orders/local service orders were not provided for audit verification. No supervision reports and completion certificates were provided for the completed works which was carried out to ascertain whether the works were carried out as per the specifications.

(ii) The tender committee was not procedurally constituted in compliance with the second schedule of the Public Procurement and Disposal Regulations, 2006 and in most cases was not involved in the procurement process for projects which were directly procured. The Corporation was noted to have made several procurements for goods and services worth Kshs.70,823,765 without going through competitive bidding as required by the procurement laws and regulations. Further, there was no evidence of any report submitted to Public Procurement Oversight Authority for direct procurements contrary to Section 62(3) of Public Procurement and Disposal Regulations, 2006 which stipulates that any direct procurement of value exceeding Kshs.500,000 has to be reported to the Authority within 14 days after notification of award.

(iii) Out of the seventeen (17) projects that were implemented during the period, only five (5) projects had invitation for bids to participate in tenders through restricted tendering method. Of these five, only two were considered by the tender committee. Available information indicates that the awards for fifteen (15) tenders were done singly by the then Chief Executive Officer through single sourcing while making references to non-existent bids for tenders by fictitious companies in total disregard of the tender committee. The awards to the fifteen (15) different companies was done on diverse dates between 13 July 2015 and 30 September 2015 for a total sum of Kshs.1,432,333,345.

(iv) Available information further revealed that six (6) of the above tenders were cancelled due to delay in release of funds. In some instances, award letters were terminated but the signed contracts were not terminated hence exposing the Corporation to litigations and resultant costs. Only five of the fifteen companies, had signed contracts which amounted to Kshs.894,976,341.

(v) Further examination of records revealed that a local company, had signed a contract worth Kshs.64,976,341 even though it had not been issued with an award letter for a tender. Another company undertook some partial works and submitted a claim of

Kshs.9,946,420 despite the fact that there was no letter of award, no signed contract and the company was not registered with the Registrar of Companies.

(vi) The Board of Directors was also directly involved in the flawed procurement process whereby they participated in the revision of cost of the design, supply and installation of computerized conference management system tender. Although the Board had constituted an ad-hoc committee to oversee the implementation of the WTO projects, no report was prepared for consideration by the full board despite the many meetings held. Thus the committee may not have carried out its oversight role as expected given the haphazard manner in which the projects were initiated, implemented or not implemented at all.

(vii) The Corporation has so far received claims amounting to Kshs.701,031,000 from various suppliers for the works which have not been paid for due to the lack of or inadequate documentation.

In view of the foregoing, the Corporation was clearly in breach of the Public Procurement and Disposal Act 2005 and Regulations, 2006 and may not have received value for money from WTO projects through the flawed procurement process.

4. Over-expenditure on Board Expenses

A review of the statement of comparison of the budget and actual amounts showed that the Corporation spent Kshs.22,200,000 on board expenses against a budgetary provision of Kshs.14,813,000 resulting to an over-expenditure of Kshs.7,387,000 or 49.9% above the budgeted amount. There was no evidence that the over expenditure was approved contrary to the provisions of Section 44 of the Public Finance Management Act, 2012.

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 Kenyatta International Convention Centre as at 30 June 2016, 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.

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

Nairobi

02 November 2017

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30TH JUNE, 2016

	Note	2016	2015
		Kshs'000	Kshs'000
REVENUES			
Sales	5	522,613	578,887
Grants from National Treasury,	6	-	61,500
Other Income	7	574,157	429,587
Total Revenues		**1,096,770**	**1,069,974**
OPERATING EXPENSES			
Administration Costs	8	324,392	353,938
Staff Costs	9	164,074	169,429
Board Emoluments	10	22,200	259
Selling and Distribution Costs	11a	578,966	363,579
WTO Recurrent Contingency	11b	117,233	-
Depreciation and amortization	15/16	69,184	70,546
Total Operating Expenses		**1,276,049**	**957,751**
Operating profit/Loss		**(179,279)**	**112,223**
Finance Income	13	11,719	19,788
Loss before Taxation		**(167,560)**	**132,011**
Income Tax Credit	14	(50,268)	39,603
Loss after Taxation		**(217,828)**	**92,408**

The notes set out at pages 7 to 22 constitute an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2016

	Note	2016 Kshs'000	2015 Kshs'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	15	4,032,762	2,903,754
Intangible assets	16	9,636	13,560
Staff receivables due after one year	18	18,386	20,759
Total Non-Current Assets		**4,060,784**	**2,938,073**
Current Assets			
Trade and other receivables	17	573,795	524,558
Short-term deposits	20 (a)	100,000	164,100
Cash and bank balances	20 (b)	666,203	224,009
Staff receivables due within one year	18	-	1,751
Total Current Assets		**1,339,998**	**914,418**
Total Assets		**5,400,782**	**3,852,491**
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital Fund	23	3,053,446	2,902,346
Retained earnings	25	181,878	349,401
Capital Grant	6	880,000	151,100
Capital and Reserves		**4,115,324**	**3,402,847**
Non-Current Liabilities			
Tax Payable	19	59,725	59,725
Total Non-Current Liabilities		**59,725**	**59,725**
Current Liabilities			
Trade and other payables	22	1,225,733	389,919
Total Current Liabilities		**1,225,733**	**389,919**
TOTAL EQUITY AND LIABILITIES		**5,400,782**	**3,852,491**

The notes set out at pages 7 to 22 constitute an integral part of these financial statements

The Corporation financial statements were approved by the Board on---27/7/---2017 and were signed on its behalf by;

Mrs. Jane Adam
For: Chairman, Board of Directors

Ms. Nana Gecaga
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY AND RESERVES

FOR THE YEAR ENDED 30TH JUNE, 2016.

	Note	Shareholders Equity Kshs. '000	Capital Grants, Kshs. '000	Revenue Reserves Restated, Kshs. '000	Total Restated, Kshs. '000
At 1 July, 2015	23	2,902,346	151,100	349,401	3,402,847
Prior year adjustment		151,100	(151,100)	37	37
Net profit/ Loss for the year		-	-	(167,560)	(167,560)
Grants	6	-	880,000	-	880,000
At 30 June 2016		**3,053,446**	**880,000**	**181,878**	**4,115,324**

The notes set out at pages 7 to 22 constitute an integral part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30TH JUNE, 2016.

	Note	2016 Kshs'000	2015 Kshs'000
OPERATING ACTIVITIES			
Cash generated from/ (used in) operations	21	679,751	94,656
Net cash generated from/(used in) operating activities		**679,751**	**94,656**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15	(609,578)	(208,565)
Work In Progress WTO Projects	15	(583,798)	5,844
Net cash generated from/(used in) investing activities		**(1,193,376)**	**(202,721)**
FINANCING ACTIVITIES			
Receipts - Grants	6	880,000	151,100
Interest income	13	11,719	19,788
Net cash generated from/(used in) financing activities		**891,719**	**170,888**
INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		**378,094**	**62,823**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**388,109**	**325,286**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**766,203**	**388,109**

The notes set out at pages 7 to 22 constitute an integral part of these financial statements

STATEMENT OF COMPARISON OF BUDGET AND ACTUALS

DESCRIPTION	2015/16 Final Approved Budget "000"	Current Year 2015/16 Actuals	Variance Budget to Actual (%)	Remarks	Explanations
Conference Revenue	806,636	779,841	26,796	U	
Rent Revenue	323,559	178,297	145,263	U	Most floors in the second and third quarter vacated by tenants to create room for the high profile events held, i.e. WTO, TICAD & UNCTAD
Leased Parking Revenue	129,348	126,993	2,355	U	Had budgeted for night parking which did not materialize
Casual Parking Revenue	4,500	2,979	1,521	U	Deficit due Exhibitions that at times took over the parking space
Tower Viewing Revenue	9,200	8,661	539	U	
Total Revenue	**1,273,243**	**1,096,770**	176,473		
FINANCE INCOME					
Interest Received	3,600	11,719	(8,119)	F	Mostly relates to FDR amounts that were not paid out during the period hence earning the interest
ADMINISRTATION COSTS					
Electricity	60,000	60,312	(312)	U	
Water & Conservancy	14,400	14,022	378	F	
Communication Services & supplies	5,389	4,287	1,102	F	Deliberate austerity measures in telephone calls
Travelling and Accommodation	3,500	1,792	1,708	F	Less travels because of the high profile events during the period.
Transport operation	8,000	8,503	(503)	U	
Printing & Stationary -	4,500	7,484	(2,984)	U	Mostly used during the WTO event
Staff Training and Exposure	25,250	22,486	2,764	F	Most training/exposures cancelled due to the preparation for hosting the high profile events
Staff welfare	28,456	28,321	134	F	
Insurance Costs	50,748	38,341	12,407	F	Healthy work force with less medical cases compared to previous years.
Bank Charges	720	731	(11)	U	
Consultancy Fees	17,209	16,962	247	F	
Provision for audit fees	500	500	-		N/A
Repair maintenance	42,653	62,069	(19,416)	U	Most of the renovation works done for WTO
Board Expenses	14,813	22,200	(7,387)	U	Relates to most meetings to ensure WTO was a success.

DESCRIPTION	2015/16 Final Approved Budget "000"	Current Year 2015/16 Actuals	Variance Budget to Actual (%)	Remarks	Explanations
OTHER OPERATING EXPENSES					
Contracted Services	54,662	43,490	11,172	F	Due to favorable rates after subjecting the suppliers to competitive bidding process
Consumable Stores	7,100	8,679	(1,579)	U	Most of the items consumed during the WTO
Research n development	6,250	4,061	2,189	F	Did not undertake the MICE product mapping, hence the saving.
Corporate Social Responsibility	1,000	2,352	(1,352)	U	
STAFF COSTS					
Salaries Wages & Leave Allowance	182,670	164,074	18,596	F	Due to some vacant positions and some employees not reaching maximum limit in the salary band.
SELLING & DISTRIBUTION COST					
Cost of Sales / Purchases	300,076	457,538	(157,462)	U	Mostly used during the WTO event
MICE & Participation in Exhibition	75,649	67,975	7,674	F	Some counties for which MoU's had been signed were not visited.
Production of Promotion Materials	15,300	17,648	(2,348)	U	Mostly used during the WTO event
Advertising & Publicity	15,000	35,805	(20,805)	U	Mostly used during the WTO event
Provision for Depreciation	47,000	69,184	(22,184)	U	More capitalized assets bought during WTO
Total Expenses	**980,844**	**1,158,816**	**(177,973)**		
Surplus/deficit	**296,000**	**(50,327)**	**346,327**		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE, 2016.

1. GENERAL INFORMATION

KICC is a State Corporation established under the Tourism Act, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a. Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Corporation and all values are rounded to the nearest thousand (Kshs'000).

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

IAS 19, 'Employee benefits', was amended in June 2012. The impact on the Company will be as follows: to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the company until 1 January 2014.

IFRS 12, 'Disclosure of interest in other entities' – includes the disclosure requirements for all forms of interest in other entities, including interest in subsidiaries, associates, joint arrangements, special purpose entities and other off balance sheet vehicles.

i) Standards, amendments and interpretations to existing standards that are not yet effective and not early adopted by the Corporation.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities, IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurements categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the

standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue recognition' (effective annual periods beginning on or after 1 January 2017 and early adoption is permitted). Final standard issued on 28th May 2014 proposed a five step approach;

1. Identity contract – new definitions and additional guidance on contract combination and modification.
2. Separate performance obligation – Performance obligation is accounted for separately if it is 'distinct'; a good/ service is distinct if the customer can benefit from the good/ service on its own and it is not highly dependent on or interrelated with other promised goods/ services in the contract.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Determine transaction price – variable consideration based on probability weighted or most likely amount but is constrained up to the amount that is probable of no significant reversal in the future; reflect time value when significant; credit risk as an expense in separate line on face and measured based on IFRS 9/IAS 39;
4. Allocate transaction price – Based on a relative selling price basis; "residual approach" only used when there is performance obligation with stand-alone price which is highly variable or uncertain.
5. Recognize revenue – Model now based on control, but risk and rewards remains an indicator; criteria for satisfied over time introduced.

b. Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the Corporation*'s* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Corporation's activities as described below.

i) **Revenue from the sale of goods and services** are recognised in the year in which the *entity* delivers services to the customer, the customer has accepted the services and collectability of the related receivables is reasonably assured. The key revenue streams include conference activities, rent income, leased and casual parking, tower viewing and third party revenue.

ii) **Grants from National Government** are recognised in the year in which the Corporation actually receives such grants and its respective expenditure done.

iii) **Finance income** comprises interest receivable from bank deposits and investment in Fixed Deposit Reserves (FDRs), and is recognised in profit or loss on a time proportion basis using the effective interest rate method.

iv) **Rental income** is recognised in the income statement as it accrues using the effective lease agreements.

v) **Other income** is recognised as it accrues.

c. Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-evaluation less any subsequent accumulated

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

d. Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of on-going but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Class of Asset	
Freehold Land	00.0%
Buildings and civil works	00.0 %
Furniture	12.5 %
Others *(Tools, Fire extinguishers, Laptop chains)*	12.5 %
Carpets	12.5 %
Office equipment	30.0 %
Motor Vehicles	25.0 %
CCTV Cameras	30.0 %
Software's	33.3 %
Plant and Equipment	12.5 %
Communication Equipment	12.5 %

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

e. Depreciation and impairment of property, plant and equipment

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Intangible assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

g. Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

h. Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

i. Taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

j. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

k. Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the corporation or not, less any payments made to the suppliers.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2013. The scheme is administered by Jubilee Insurance and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

The balance of the defined contribution scheme is as analysed below.

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

m. Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue at the employees. At provision is made for the estimated liability for annual leave at the reporting date.

n. Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Corporation operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

o. Comparative figures

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

p. 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, 2016.

q. Provision for employee entitlement-Staff leave pay

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certain employees of the Corporation are entitled to service gratuity based on resignation or termination of employment based on 31% of their basic pay for the period of time worked for. The service gratuity is provided for in the financial statements as it accrues to each employee.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

The Corporation makes estimates and assumption concerning the future. The resulting accounting estimates will by definition, seldom equal to related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Income taxes

The Corporation is subject to various income taxes. Significant judgement is required in determining the Corporation's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognizes liabilities or anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially record, such differences will impact the income tax provisions in the period in which such determination is made.

Gratuity scheme obligations

The present value of the gratuity obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for gratuity include the discount rate and future salary increases. Any changes in these assumptions will impact the carrying amount of gratuity obligations.
The Corporation relies on an independent actuary to determine the appropriate discount rate at the end of the year. This is the interest rate that should be used to determine the present value of estimate future cash outflows expected to be required to settle the pension obligations.

4. FINANCIAL RISK MANAGEMENT

The corporation's activities expose it to a variety of financial risks including credit and liquidity risks and the effects of changes in foreign currency rates. The corporation's overall risk management programme focuses on unpredictability of changes in the operating environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) **Foreign exchange risk**

The corporation receives payments from clients and makes payments in US Dollars. The corporation is therefore exposed to foreign exchange risk arising primarily with respect to the US dollar transactions.

Foreign exchange risk arises from future commercial transactions, recognized income, assets and liabilities.

ii) **Interest rate risk**

The corporation is exposed to interest rate risk as it holds short term bank deposits at fixed interest rates.

iii) **Price risk**

The corporation does not hold investments that would be subject to price risk hence this risk is not relevant

iv) **Credit risk**

The corporation's credit risk is primarily attributable to its trade receivables.

v) **Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board of Directors through the senior management of the corporation. Management has built an appropriate liquidity risk management framework for the management of the corporation's short, medium and long-term funding and liquidity management requirements. The corporation manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows.

NOTES TO THE FINANCIAL STATEMENTS (continued)

		2016 Kshs'000	2015 Kshs'000
5	**SALES**		
	Conference	205,684	274,318
	Rent	178,296	164,089
	Leased Parking	126,993	128,822
	Casual Parking	2,979	4,137
	Tower viewing	8,661	7,521
		522,613	**578,887**
6	**GRANTS FROM NATIONAL GOVERNMENT**		
	Recurrent grants received	-	61,500
	Capital grants received	880,000	151,100
		880,000	**212,600**

The capital grant for Kshs. 880 Million was for WTO related projects

		2016 Kshs'000	2015 Kshs'000
7	**OTHER INCOME**		
	Catering	180,424	212,409
	Gain on FOREX	-	-
	Hire of Equipment	393,733	211,448
	Other miscellaneous receipts		5,730
		574,157	**429,587**
8	**ADMINISTRATION COSTS**		
	Electricity and water	74,334	74,777
	Communication services and supplies	4,287	3,163
	Transportation, travelling and subsistence	10,296	13,780
	Advertising, printing, stationery and photocopying	7,484	5,324
	Staff training expenses	22,486	22,093
	Hospitality supplies and services	28,321	30,653
	Insurance costs	38,341	29,401
	Bank charges and commissions	731	890
	Auditors' remuneration	500	500
	Consultancy fees	16,962	12,669
	Repairs and maintenance	62,069	76,443
	Other operating expenses	58,581	83,986
		324,392	**353,938**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2016 Kshs'000	2015 Kshs'000
9	**STAFF COSTS**		
	Salaries and allowances of permanent employees	154,105	159,204
	Gratuity, Pension and Retirement Benefits	9,969	10,225
	Wages of temporary employees		-
		164,074	**169,429**
	The average number of employees at the end of the year was:		
	Permanent employees – Management	146	134
		146	134
10	**DIRECTORS EMOLUMENTS**	**22,200**	**259**
11	a. **SELLING AND DISTRIBUTION COSTS**		
	Third party outsourcing	457,538	248,542
	Advertising and publicity	35,805	31,637
	Participation in exhibitions	67,975	60,778
	Production of promotional materials	17,648	22,882
		578,966	**363,837**
	b. Provision for WTO Expenses		
	WTO Related third party expenses	**117,323**	-
12	**OPERATING PROFIT/ (LOSS)**		
	The operating profit/ (loss) is arrived at after charging/(crediting):		
	Staff costs (note 9)	164,074	169,429
	Depreciation of property, plant and equipment		63,766
	Amortisation of intangible assets		6,679
	Directors' emoluments - fees		259
	Auditors' remuneration - current year fees		500
	Interest receivable	(11,719)	(19,788)
13	**FINANCE INCOME**		
	Interest income on short-term bank deposits	11,719	19,788
		11,719	**19,788**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 INCOME TAX EXPENSE/(CREDIT)

(a) Current taxation

	2016	2015
	Kshs'000	Kshs'000
Current taxation based on the adjusted profit for the year at 30%	(50,268)	39,603
	(50,268)	39,603

(b) Reconciliation of tax expense/(credit) to the expected tax based on accounting profit

	2016	2015
Profit before taxation	(167,560)	132,011
Tax at the applicable tax rate of 30%	(50,268)	39,603
	(50,268)	39,603

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold land Kshs. '000'	Buildings & civil works Kshs. '000'	Furniture Kshs. '000'	Others Kshs. '000'	Carpets Kshs. '000'	Office equipment Kshs. '000'	Motor vehicle Kshs. '000'	CCTV Kshs. '000'	Plant & equipment Kshs. '000'	Communication Equipment Kshs. '000'	Capital work in progress Kshs. '000'	Total Kshs. '000'
COST OR VALUATION												
At July 1, 2014	1,000,000	1,607,075	133,935	6,849	36,252	46,980	16,335	37,045	74,556	189,406	133,669	3,282,102
Additions	-	66,186	46,422	5,055	15,826	8,036	-	-	1,602	7,503	55,767	206,397
Transfers	-	15,900	4,920	-	-	-	-	-	-	97,868	-129,895	-11,207
Disposals/VAT a/c	-	-	-	-	-	-			-3,300		-2,544	-5,844
At June 30, 2015	1,000,000	1,689,161	185,277	11,904	52,078	55,016	16,335	37,045	72,858	294,777	57,027	3,471,448
At July 1, 2015	1,000,000	1,689,161	185,277	11,904	52,078	55,016	16,335	37,045	72,858	294,777	57,027	3,471,478
Additions	0	40,304	25,572	4,741	3,996	6,241	0	0	10,466	17,171	501,087	609,578
WTO Projects	-										583,798	583,798
Reversals	-											0
At June 30, 2016	1,000,000	1,729,465	210,849	16,645	56,074	61,257	16,335	37,045	83,324	311,948	1,141,912	4,664,854
DEPRECIATION												0
At July 1, 2014	-	260,953	81,104	3,088	10,075	35,123	13,380	33,524	26,849	39,863	-	503,959
Charge for the year	-	-	13,022	1,102	5,250	5,968	369	440	5,751	31,864	-	63,766
At June 30, 2015	-	260,953	94,126	4,190	15,325	41,091	13,749	33,964	32,600	71,727	0	567,725
At July 1, 2015	0	260,953	94,126	4,190	15,325	41,091	13,749	33,964	32,600	71,727	0	567,725
Charge for the year	0	0	14,590	1,557	5,094	6,050	323	385	6,341	30,028	0	64,367
At June 30, 2016	0	260,953	108,716	5,747	20,419	47,141	14,072	34,349	38,941	101,755	0	632,092
NET BOOK VALUE												0
At June 30, 2016	1,000,000	1,468,512	102,132	10,898	35,655	14,116	2,263	2,696	44,384	210,193	1,141,912	4,032,762
At June 30, 2015	1,000,000	1,428,208	91,152	7,714	36,752	13,925	2,586	3,081	40,258	223,050	57,027	2,903,753

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 INTANGIBLE ASSETS

	2016 Kshs'000	2015 Kshs'000
COST		
At July 1	38,628	25,254
Additions	893	2,168
Transfers		11,206
At June 30	**39,521**	**38,628**
AMORTISATION		
At July 1	25,068	18,289
Charge for the year	4,817	6,779
Disposals	-	-
Impairment loss	-	-
At June 30	**29,885**	**25,068**
NET BOOK VALUE		
At June 30	**9,636**	**13,560**

17 TRADE AND OTHER RECEIVABLES

	2016 Kshs'000	2015 Kshs'000
Trade receivables	554,593	508,635
Deposits and prepayments	15,398	15,558
Receipt Control Account	3,804	365
Gross trade and other receivables	**573,795**	**524,558**

18 STAFF RECEIVABLES

	2016 Kshs'000	2015 Kshs'000
Gross car loans advances	18,386	20,759
Gross staff salary advances		1,751
	18,386	**22,510**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2016 Kshs'000	2015 Kshs'000
19 TAX LIABILITY		
At beginning of the year	59,725	62,808
Income tax charge for the year	-	39,603
Income tax paid during the year	-	(42,686)
At end of the year	**59,725**	**59,725**

20 CASH AND CASH EQUIVALENTS

a) SHORT TERM DEPOSITS

	2016 Kshs'000	2015 Kshs'000
Cooperative Bank of Kenya		-
Kenya Commercial Bank	100,000	164,100
	100,000	**164,100**

b) BANK AND CASH BALANCES

	2016 Kshs'000	2015 Kshs'000
Cash at bank	666,076	224,009
Cash in hand	127	-
	666,203	**224,009**
TOTAL CASH AND CASH EQUIVA.LENTS	**766,203**	**388,109**

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

21 Notes to the Statement of Cashflows

(a) Reconciliation of operating pr ofit/(loss) to Cash generated from/ (used in) operations

	2016 Kshs'000	2015 Kshs'000
Operating profit/ (loss)	(167,560)	132,011
Depreciation and amortization	69,184	70,546
Interest Income	(11,719)	(12,047)
Prior year Adjustment	(37)	(4,815)
Operating profit/ (loss) before working capital changes	**(110,132)**	**177,95**
(Increase)/decrease in trade and other receivables	(49,236)	(10,383)
Increase/ (decrease) in trade and other payables	835,814	(31,931)
Increase/ (decrease) in staff advances and loans	3,305	1,704
Increase/ (decrease) in Tax paid	-	(42,686)
Cash generated from/ (used in) operations	**679,751**	**94,656**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(b) Analysis of cash and cash equivalents

Short term deposits	100,000	164,100
Cash at bank	666,203	224,009
Balance at end of the year	766,203	388,109

22 TRADE AND OTHER PAYABLES

Trade payables	448,016	201,786
Other payables	76,187	178,733
Accrued Expenses	500	9,400
Provision for WTO Contingency	701,031	
	1,225,733	**389,919**

23 CAPITAL FUND

Shareholder's Equity	3,053,446	2,902,346
GoK Development Grant	880,000	151,100
	3,933,446	**3,053,446**

The Corporation is a Parastatal wholly (100%) owned by the Government of Kenya, the Capital Reserve includes the original valuation of the Corporation and subsequent grants received from the Government.

24 RELATED PARTY TRANSACTIONS DISCLOSURES

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

The following transactions were carried out with related parties:

i) Key management compensation	**Kshs. "000"**	**Kshs."000"**
Salaries and other short-term employment benefits	169,429	
ii) Directors' remuneration		
The Board of Directors remuneration for last three (3) months	259	

(iii) Employees

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iv) Grants from national Government

Recurrent grants	-	61,500
Capital grants	880,000	151,100

25 RETAINED EARNINGS

The retained earnings represent amounts utilised to finance the Corporation's business activities.

Retained Income	349,401	261,808
Restatement	37	(4,815)
Net Profit for the year	(167,560)	92,408
	181,878	**349,401**
	=====	=====

26 CAPITAL COMMITMENTS

Amounts authorised and contracted for		282,694
Less: Amounts incurred and included in work-in-progress		(55,266)
		227,428
	=====	=====

27 CONTIGENCIES

Kenya won the bid to host the 10th World Trade Organization *(WTO)* Ministerial Conference held from 15th to 18th December 2015. An Inter-Ministerial Organizing Committee was established to coordinate all the activities geared towards successful hosting of the Conference. It was agreed by the Committee that KICC, being the Venue for the meeting be refurbished to acceptable standards. The Corporation received Kshs 880 Million in the Financial Year to facilitate hosting of the WTO conference. Total Procurement for WTO amounted to Kshs 1.04 Billion against an approved procurement plan of Kshs 1.5 Billion. Out of this procurement amount Kshs 339 Million was settled. The Ministry and the Corporation are working with relevant Government agencies to ascertain and resolve the contracts' validity, quantity and quality of goods and/or services provided and the amounts being claimed. It is on this basis that the Corporation has made a provision of Kshs 701 Million in the Financial Statements as follows;

i. Kshs 117,232,997 as Provision for WTO Expenses
ii. Kshs 583,798,470 as Work In Progress

AUDIT RECOMMENDATIONS

Progress on follow up of the auditor recommendations for the financial year 2014/15

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

Reference No. on the external audit Report	Issue/Observations from Auditor for the FY 2014/15	Management Comments	Focal Point person to resolve the issue	Status (Resolved/Not resolved)	Time frame
1.1.1	Lack of title to COMESA, Courtyard Land	The Corporation is in talk with the relevant Government agencies with an aim of getting title for the said piece of land.	CEO	Not resolved	On going
1.1.2	Valuation of Assets should be done after every 5 years	The asset revaluation exercise will be undertaken in the financial year 2016/2017	CEO	Not resolved	On going
2.0.0	Outstanding Trade and receivables	Given that 70% of KICC sales are on credit, the debt portfolio has increased in tandem with the increase in sales. However, management has made substantial efforts in pursuing the outstanding debts. In addition, the existing procedures for issuance of debt have been enhanced to ensure that clients, private clients pay before the event is held; while for government institutions, an LSO or Commitment letter ought to be provided.	CEO	Not resolved	On going
3.0.0	Bank Accounts-Use of defunct name	Use of defunct bank name changed.	CEO	Resolved	N/A