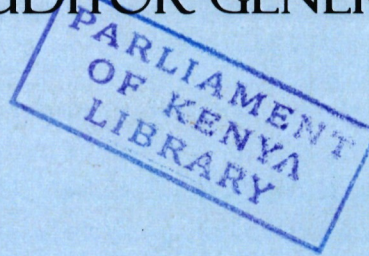


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
EXPORT PROMOTION COUNCIL**

**FOR THE YEAR ENDED
30 JUNE 2016**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
27 MAR 2017
RECEIVED

EXPORT PROMOTION COUNCIL

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016

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

TABLE OF CONTENTS

KEY ENTITY INFORMATION AND MANAGEMENT.....	ii
THE BOARD OF DIRECTORS.....	vi
MANAGEMENT TEAM.....	xii
CHAIRMAN'S STATEMENT.....	xv
REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xvii
CORPORATE GOVERNANCE STATEMENT.....	xxii
REPORT OF DIRECTORS.....	xxvi
STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xxvii
REPORT OF THE INDEPENDENT AUDITORS.....	xxix
STATEMENT OF FINANCIAL PERFORMANCE.....	1
STATEMENT OF FINANCIAL POSITION.....	2
STATEMENT OF CHANGES IN NET ASSETS.....	3
STATEMENT OF CASHFLOWS.....	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	5
NOTES TO THE FINANCIAL STATEMENTS.....	6

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Export Promotion Council was incorporated on 6 June 1994 as a Company limited by guarantee and not having a share capital. Prior to this, and since its establishment, the Council has operated as an independent body deriving its right of existence from the Statement on Export Strategy for Growth by H. E The President of Kenya dated 19 August 1992, which established the Council and Gazette Notice No. 4342 of 9 October 1992.

At cabinet level, the Export Promotion Council is represented by the Cabinet Secretary for Industry, Trade and Co-operatives who is responsible for the general policy and strategic direction of the Export Promotion Council.

(b) Principal Activities

The mandate of the Council includes provision of strategic assistance to exporters of goods and services in overcoming bottlenecks, to enable them achieve a higher level of export performance. The national mandate therefore requires the Council to facilitate export development in a holistic manner and to appropriately respond to the current need of exporters.

Vision

To excel in positioning Kenya's goods and services as products of choice in the regional and international markets.

Mission

To attract, expand and sustain the market share of Kenya's exports through product identification, development and marketing.

Strategic Objectives

- To increase Kenya's exports of goods and services by an average of 20% per year over the plan period (2012-2017).
- To take the lead role in facilitating export trade
- To continuously ensure the sustainability of EPC's resource base
- To deliver outstanding services

(c) Key Management

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

- Chief Executive
- General Managers
- Unit heads;

Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive	Ms. Ruth Mwaniki
2.	General Manager Finance	Ms. Christine Mwaka
3.	General Manager, Market Development and Promotion	Mr. Maurice Otieno
4.	General Manager, Enterprise and Product Development	Mrs. Lucy Waithaka (retired 7 th November 2015)
5.	Ag. General Manager, Enterprise and Product Development	Mr. Austin Macheso (w.e.f 10 th November 2015)
6.	Ag. General Manager, Trade Information and Business Services	Mr. Kenneth Murimi
7.	Ag. General Manager, Research and Planning	Mr. Peter Ochieng
8.	Manager Human Resource and Administration	Ms. Rosebell Wainaina
9.	Manager, Internal Audit	Mr. Victor Odindo

(d) Fiduciary Oversight Arrangements

Strategy, Export Development and Promotion Committee

The Committee is responsible for advising the Board on Development, Promotion and diversification of export goods, services and markets and facilitating development of export oriented enterprises.

Finance and Resource Mobilization

The Committee is responsible for advising the Board on financial reporting processes, the system of internal control, compliance to policies and procedures, budgeting of the Council's activities and programmes and ensuring sustainability of the Council.

Audit, Risk and Governance Committee

The Committee is responsible for assisting the Board and Management in fulfilling its oversight role in financial reporting processes, systems of internal control, internal audit process, risk management and monitoring compliance with laws, regulations and the code of conduct.

Human Resource and Administration Committee

The committee is responsible for assisting the Board in discharging its duty in overseeing the establishment of appropriate administrative and human resources policies and procedures.

(e) Entity Headquarters

Export Promotion Council (Headquarters)
Anniversary Towers 1st and 16th Floor
University Way
P. O. Box 40247 – 00100 Nairobi
Tel: +254-20-2228534-8
Office Mobile: +254-722-205875, +254-734-228534
Fax: +254 -20-2228539/
Email: chiefexe@epc.or.ke
Website: www.epckkenya.org

Branches

EPC Regional Office Mombasa
Uni Plaza, 3rd Floor
Aga Khan Road, off Moi Avenue
P.O. Box 90143- 80100 Mombasa
Tel: +254-041-2319247/020-3579237
Email: coast@epc.or.ke

EPC Regional Office Eldoret
National Bank Building, 2nd Floor
Oloo Street
P.O. Box 853 Eldoret
Tel: +254 -20-3573020/3573758
Email: western@epc.or.ke

(f) Entity Contacts

Export Promotion Council (Headquarters)
P. O. Box 40247 – 00100 Nairobi
Tel: +254-20-2228534-8
Office Mobile: +254-722-205875, +254-734-228534
Fax: +254 -20-2228539/
Email: chiefexe@epc.or.ke
Website: www.epckkenya.org

Branches

EPC Regional Office Mombasa
P.O. Box 90143- 80100 Mombasa
Tel: +254-041-2319247/020-3579237
Email: coast@epc.or.ke

EPC Regional Office Eldoret
P.O. Box 853 Eldoret
Tel: +254 -20-3573020/3573758
Email: western@epc.or.ke

EPC/JKIA Liaison Office
1st Floor, International Arrivals
P.O. Box 40247-00100, Nairobi
Tel: +254 -20-827911
Email: jkia@epc.or.ke

(g) Entity Bankers

Kenya Commercial Bank Limited
University Way Branch
P.O. Box 7206 - 00100
Nairobi

Housing Finance Limited
Rehani House
P.O. Box 20691 - 00100
Nairobi

(h) Independent Auditors

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

(i) Principal Legal Adviser

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




THE BOARD OF DIRECTORS


Director	Director profile
<p>Dr. Chris Kiptoo</p>	<ul style="list-style-type: none"> • Principal Secretary State Department of Trade, Ministry of Industry, Trade and Cooperatives • W.e.f 18th December 2015
<p>Mr. Jaswinder Bedi</p> 	<ul style="list-style-type: none"> • DOB: 15.01.1963 • Managing Director, Bedi Investments Limited • Vice President of International Textile Manufacturers Federation (ITMF) • Chairman, African Cotton & Textile Industries Federation (ACTIF) • Executive Director, Fine Spinners Uganda Limited. • Executive Director, Fine Fashions Limited • Director and former Chair, Kenya Association of Manufacturers; • Governor, Kenya Private Sector Alliance • Chairman, Kenya Apparel Manufacturers and Exporters Association • Co-Chair, World Bank Cotton Apex Committee (Chairman w.e.f 18th March, 2016)
<p>Mr. Hudson Aluvanze</p>  <ul style="list-style-type: none"> • Institute of Directors of Kenya • Computer Society of Kenya • (Pursuing) PhD in Strategy & Business Management • MSc – Computer Science • BSc – Computer Science 	<ul style="list-style-type: none"> • DOB: 09.09.1965 • Over 20 years' experience in organizational management, strategic planning, business process reengineering, project design and management, gained while working with local, regional and international institutions. • Director, EPC for 9 years and served as Chairman up to 2nd October 2015 • CEO, Centre for Strategic Development, since 2011 • Retired as Chairman on 2nd October 2015

Director	Director profile
<p>Mohamed Merali</p>  <ul style="list-style-type: none"> • Chartered Certified Accountant (ACCA) • GCE (Ordinary Level) 	<ul style="list-style-type: none"> • DOB: 12.11.1946 • Over 40 years' private practice in family business in the fields of shipping, commodity and construction. • Board member in EPC for two years. • Retired on 4th September 2015
<p>Mr. Solomon Boit</p>  <ul style="list-style-type: none"> • MA (International Studies) • MA (Economic and Social Studies) • BA (Public Administration and Management) 	<ul style="list-style-type: none"> • DOB: 13.06.1959 • Consultant, Trapos Africa • Chairman, Pyrethrum Board of Kenya • Permanent Secretary, Ministry of Local Government • Permanent Secretary, Ministry of Cooperative Development and Marketing • Secretary, Public Service Commission • Principal Administrative Secretary, Cabinet Office • District Commissioner, West Pokot, Laikipia, Nairobi • District Officer, various Divisions in Kenya • Director w.e.f 2nd October 2015
<p>Ms. Flora Mutahi</p>  <ul style="list-style-type: none"> • MBA • BSc, Finance and Accounting • CPA (K) • Diploma in Executive Marketing 	<ul style="list-style-type: none"> • DOB: 05.08.1967 • Chairperson, Kenya Association of Manufacturers (KAM) and Founder/CEO, Melvin Marsh International Ltd • Founded and overseen growth of Melvins Marsh International through development and marketing of niche Melvins products • Founder and CEO of Azizi Realtors Ltd, a real estate company specializing in sale and lease of residential and commercial property • Director w.e.f 2nd October 2015



Director	Director profile
<p>Ms. Mona Karingi</p>  <ul style="list-style-type: none"> • BA in Social Sciences • Certificate in Marketing (MSK) 	<ul style="list-style-type: none"> • DOB: 28.07.1974 • Country Marketing Manager , Coca-Cola East, West and Central Africa • Joined Coca-Cola in 2005 as Brand Manager and rose through the ranks • Expert in consumer marketing strategy in the FMCG sector • Overseen development, implementation and tracking of marketing strategy; • Consumer research, brand strategy development, advertising, promotions, public relations and media management with particular skills in translation of insights into strategies • Director w.e.f 2nd October 2015
<p>Ms. Veska Kangogo</p>  <ul style="list-style-type: none"> • Pursuing PhD in Leadership and Governance • MBA (Strategic Management) • B. Ed • Certified Public Secretary (CPS) • Higher National Diploma in HR Management 	<ul style="list-style-type: none"> • DOB: 19.02.1976 • Vice Chairperson , Nairobi City Public Service Board • Trustee, NSSF as Chair of Strategy, Legal and Human Committee • Business Development and Technical Director, Three Sixty Management Consultancy • Corporate Affairs and marketing Manager, Local Authorities Provident Fund • Director w.e.f 2nd October 2015
<p>Ms. Binti Hamadi Choyo</p> 	<ul style="list-style-type: none"> • DOB: 22.12.1970 • Vice Chairperson , Maendeleo ya Wanawake, Kwale County • Chairlady, Maendeleo ya Wanawake, Ramisi Ward • Peer educator for social development on Women • Director w.e.f 2nd October 2015

Director	Director profile
<p>Mr. Mohamed Salim Bwika</p>  <ul style="list-style-type: none"> • MA in Industrial and Vocational Education • BA in Industrial and Vocational Education 	<ul style="list-style-type: none"> • DOB: 16.02.1945 • Board member in the Kenya Civil Aviation Board • Returning Officer, Electoral Commission of Kenya • Manager, Educational Services, Islamic Foundation of Kenya • Senior Principal, Coast Institute of Technology • Consultancy work with the ILO • Director w.e.f 2nd October 2015
<p>Prof. George Otieno Achoki</p>  <ul style="list-style-type: none"> • PHD in Human Resource Accounting • Masters of Commerce in Accounting and Statistics • Bachelors of Commerce • Post Graduate Diploma in Computer Science 	<ul style="list-style-type: none"> • DOB: 24.04.1966 • Associate Professor, USIU • Senior Lecturer, Kenyatta University • Management Consultant, Manpower Services (K) • Director w.e.f 2nd October 2015
<p>Ms. Ruth Mwaniki</p>  <ul style="list-style-type: none"> • Pursuing Masters' in Law (LLM) • Master's in Public Policy and Administration • Bachelors of Law (LLB) • Diploma in Law (Kenya School of Law) • International Trade and Transactions (IDLI) Italy • International; Corporate Law (SMU – Texas) 	<ul style="list-style-type: none"> • DOB: 04.02.1966 • Joined Export Promotion Council on January 2011; • Provides overall strategic direction for achievements of the Council's mandate • Worked in various public sector organizations in senior positions and serving as CEO for over 10 years


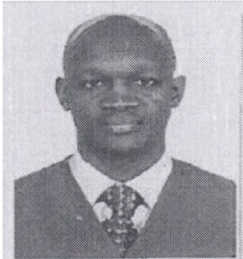

Director	Director profile
<p>Mr. Simon Korir</p> 	<ul style="list-style-type: none"> January 2014 to December 2015 : Alternate to the Principal Secretary , State Department of Commerce and Tourism W.e.f December 2015, Alternate to the Principal Secretary , Ministry of Tourism
<p>Mr. Wilfred Mwanzia</p> 	<ul style="list-style-type: none"> Alternate to the Principal Secretary , Ministry of Agriculture, Livestock and Fisheries w.e.f 11th November 2015
<p>Mr. Peter Rotich</p>	<ul style="list-style-type: none"> Alternate to the Governor, Central Bank of Kenya (Retired on 5th April 2016)
<p>Dr. Isaya Maana</p>	<ul style="list-style-type: none"> Alternate to the Governor, Central Bank of Kenya w.e.f 6th April 2016
<p>Mr. Joseph Mutuma</p>	<ul style="list-style-type: none"> Alternate to the Principal Secretary , the National Treasury w.e.f 23rd February 2016
<p>Dr. Moses Ikiara</p>  <ul style="list-style-type: none"> PHD(Environmental Sciences and Natural Resource Economics) Master of Arts (Economics) Bachelor of Science (Agriculture) 	<ul style="list-style-type: none"> DOB: 03.09.1965 2013 to date: Managing Director Kenya Investment Authority 2006 to 2012: Executive Director (KIPPRA) 2005 to 2006: Ag. Executive Director (KIPPRA) 2003-2005: Senior Analyst & Programme Coordinator KIPPRA 2000-2003: Policy Analyst (KIPPRA) Retired October 2015

Director	Director profile
<p data-bbox="220 383 464 416">Mr. Cyrille Nabutola</p>  <ul style="list-style-type: none"> <li data-bbox="220 757 786 835">• Masters in Business Administration (Strategic Management) 	<ul style="list-style-type: none"> <li data-bbox="855 387 1098 421">• DOB: 22/05/1959 <li data-bbox="855 439 1337 472">• 2012 to date: Managing Director EPZA <li data-bbox="855 490 1442 568">• 1997 to 2012: Managing Director (Nation Media Group, Span Image, Gemstar International) <li data-bbox="855 586 1426 665">• 1982 to 1997: Senior Management (G4s, Total Kenya, Nation Media) <li data-bbox="855 683 1142 716">• Retired October 2015

MANAGEMENT TEAM

Profile of Key Managers	Main area of responsibility without details
<p>Ms. Ruth Mwaniki</p>  <ul style="list-style-type: none"> • Pursuing Master's Degree in Law (LLM) • Masters in Public Policy and Administration • Bachelors of Law (LLB) • Diploma in Law (Kenya School of Law) • ICPSK • International Trade and Transactions (IDLI) Italy • International; Corporate Law (SMU – Texas) 	<ul style="list-style-type: none"> • Chief Executive • Providing overall strategic direction for achievements of the Council's mandate
<p>Ms. Christine Mwaka</p>  <ul style="list-style-type: none"> • CPA (K), • Pursuing PHD, (Course work complete) • MBA - Finance Option 	<ul style="list-style-type: none"> • General Manager Finance • Financial Management and Accountability

Profile of Key Managers	Main area of responsibility without details
<p>Mr. Maurice Otieno</p>  <ul style="list-style-type: none"> • Pursuing PHD, (Course work complete) • MBA • BA (Hons) Econ; B. Phil. Econ. (planning) 	<ul style="list-style-type: none"> • General Manager - Market Development and Promotion • Coordination of market development and promotion activities
<p>Mr. Peter Ochieng</p>  <ul style="list-style-type: none"> • Bachelor of Science (BSc) degree in International Trade • Post graduate diploma in international Studies. 	<ul style="list-style-type: none"> • Ag. General Manager Research and Planning • Market Research and Policy Analysis
<p>Mrs. Lucy W. Waithaka</p>  <ul style="list-style-type: none"> • MSc Agronomy/Horticulture • BSc Agriculture 	<ul style="list-style-type: none"> • General Manager – Enterprise and Product Development • Retired 7th November 2015
<p>Mr. Kenneth Kahuthu Murimi</p> 	<ul style="list-style-type: none"> • Ag. General Manager – Trade Information and Business Services

Profile of Key Managers	Main area of responsibility without details
<ul style="list-style-type: none"> • Pursuing, Executive Masters in Business Administration • Bachelor of Commerce (B. Com.) 	
<p>Mr. Austin Macheso</p>  <p>Master of International Business Management</p>	<ul style="list-style-type: none"> • Ag. General Manager Enterprise and Product Development • Enterprise and Product Development
<p>Mr. Victor Odindo</p>  <ul style="list-style-type: none"> • CPA (K), CISA • Master of Commerce (Forensic Accounting) • Bachelor of Commerce (Finance) 	<ul style="list-style-type: none"> • Internal Audit, Risk Management & Quality Management Representative
<p>Ms. Rosebell Wainaina</p> 	<ul style="list-style-type: none"> • Human Resource and Administration • Development and Implementation of Human Resource and Administration Policies

CHAIRMAN'S STATEMENT

It is my pleasure to present Export Promotion Council's Financial Statements for the year ended 30th June 2016.

Kenya's economy is in the transitional stages in readiness to leap from a developing economy category to the developed economy category. To make the transition, the country has been making efforts to upscale production capacities and value addition to its product for an increase in the export sector component to the Gross Domestic Product (GDP).

Kenya's export sector has been performing however, the sector requires renewed thrust in terms of production and market penetration to enable it adequately contribute to the transformation of the economy by continually supplying foreign exchange. A stable and performing export sector will be a reliable vehicle the socio-political transformation and economic developmental goals as desired within the context of the *Kenya Vision 2030* economic blue print.

The Export sector has been performing but still it has potentials for even better performance .The sector's growth has been held back due to diminishing competitiveness; low level diversification and subdued demands in the global export markets. Kenya's export basket has remained narrow with a a few competitive products, most of which are by and large primary products with minimal value addition. These include tea, horticulture (cut-flowers, vegetables, and fruits), articles of apparels, coffee, vegetable oils, petroleum oil products, and iron & steel products, among others. The agricultural commodities have included - tea, horticulture, and, coffee, have been prone to global cyclical price movements and have thereby experienced relatively declining performance. In 2015, the top 10 export products accounted for about 59% of total exports, which reflected high product concentration .This has necessitated need to expand and diversify Kenya's export product base.

In 2015, the exports grew marginally by 8.2% from Ksh. 537.44 billion 2015 to Ksh.581.05 billion but however, looked at in terms of the impact on the wider international trade and balance of payments, Imports have grown at a faster pace and stood at Ksh.1, 618 billion in 2014 and Ksh.1, 577.56 billion in 2015.A relatively high deficit of KES 997 billion thus emerged. This can be moderated by increasing the performance of exports.

As the institution charged with development and promotion of Kenya's exports, we have continually endeavoured to manage the wide ranging dynamics in the global markets that have in many ways undermined Kenya's export performance. The specific interventions have been on markets that were once performing but are currently lagging behind due to the increased intensity of competition, changing consumer patterns or; due

global realignments through agreements and other geopolitical considerations. For longer term engagements, the primary focus will be the competitiveness of Kenyan export product and supplying these goods and services in the global markets.

The ongoing reforms by Government, continued market access and trade negotiations are yielding good results that are likely to open opportunities for exports, while on the other hand, the discovery of coal, oil and other rare earth are promising new products for the markets, declining cost of energy, are factors that are for good purpose, will lead to a strong base for a future performing export sector, with strong demand in the region and international markets.

The Council has undertaken to enhance its efforts to promote Trade in services. This is an area where the country has proven competitive advantage especially in professional Services; information Technology and Information Technology enabled services; transport and logistics as well as banking and Non-Banking financial Services. These sectors have proven capacity for renewed streams for foreign exchange generation as well as employment.

The Council has been engaging in Market surveys and product Specific researches that would lead to specific niche markets with corresponding niche products. To enable efficiency in the supply chain, the council will continue addressing efficiencies in the market information system to keep abreast with the diverse aspects of demands and related market dynamics

As we present this proposal, I would like to thank the Ministry of Industry, Trade and Cooperatives for their continued support in implementation of the Council's activities. I also want to thank the Management team and staff of EPC for their continued performance even under sometimes very challenging conditions.

As we move forward and with the support of the government, we pledge to take the challenge and take Kenya's export sector to the next level for the continued growth of the economy.



Mr. Jaswinder Bedi
CHAIRMAN

REPORT OF THE CHIEF EXECUTIVE OFFICER

The Export Promotion Council is a Trade Support Institution established by Government in 1992 to spearhead export performance and related activities. The Council was established to primarily assist exporters and producers of export goods to overcome bottlenecks in order to achieve higher levels of export performance and foreign exchange earnings, thereby enhancing economic growth.

EPC Partnering with Government

As an agency of Government, the Council works with stakeholders at all levels of the value chain to ensure achievement of the supply and demand deliverables in export trade. During the Financial Year 2015-2016, the Council commenced the fourth on implementation of its Strategic Plan 2012-2017. The objectives of the Strategic Plan are:

1. To increase Kenya's exports of goods and services by an average of 20% per year over the plan period;
2. To take the lead role in facilitating export trade;
3. To continuously ensure the sustainability of the export sector.
4. To deliver outstanding service.

The Strategic Plan is modelled against the Kenya Vision 2030, with activities that complement the efforts of Government in achieving the targets of the Vision. In this respect, the Council participated in development of the Medium Term Plan (MTP) II 2013-2017 that is currently guiding Government in rolling out programmes intended to help achieve the Vision.

In addition, the Council continued to play an active role in key panel discussions such as the East African integration, Economic Partnership Agreement (EPA), African Growth and Opportunities Act (AGOA) and other forums held locally and internationally aimed at securing the economic interests of the country. The Council also continued to initiate dialogue with County Governments in an effort to build export competitiveness in the devolved Governments.

The Export Promotion Council is among the institutions earmarked for merger. A number of projects in the Council's work-plan for the year could also not be carried out due to the legal implications involved following a freeze imposed by Government on contractual commitments and replacement of staff by Parastatals earmarked for merger.

The Importance of Exports to the Economy

Exports are critical in achieving the socio-economic development goals of countries, Kenya included. In producing exportable goods and services, the country benefits through reciprocal foreign exchange earnings that support the production activities downstream. Foreign exchange earnings help in stabilizing the local currency against other hard currencies, thereby minimizing exposure from weak currency transactions especially in importation of capital goods and other inputs for manufacturing and infrastructural development. Exports enable the country to narrow its trade deficit and in the process, improve the balance of payments so as to maintain healthy liquidity levels that arrest escalation of working capital costs. Exports earnings also lead to better rating by international credit institutions due to improved servicing of external commitments.

Development of capacity in production of exportable goods and services leads to creation of employment, and is also a platform for further innovation. Through export earnings, the country is able to address social ills such as crime, poverty, disease and illiteracy, leading to improved livelihoods and attractiveness as an investment and tourist destination. It also enables the country to benefit from technology and skill transfer that creates internal competitiveness in production of preferred goods and services in tandem with evolving consumer tastes and preferences.

The role of the Council is therefore to mainstream Small and Medium Enterprises (SMEs) into the export chain through entrepreneurial skills training, export coaching, export awareness and product development. The Council subsequently assists the exporters in identifying markets through test-marketing in select destinations in the world. To sustain these efforts, the Council has developed a concept paper on establishment of a Centre for Product Design and Development (CPDD), for review and consideration by Government to unlock funding in setting up the Centre.

The product development strategy is also informed by the need to reduce Kenya's over-reliance on traditional commodity exports that are prone to price volatility in international markets. The strategy seeks to enhance diversification of products through value addition towards creation of a long-lasting impact in the country through increased gains and brand equity.

Challenges in Export Performance

A number of challenges hampered growth of exports during the period. According to the International Monetary Fund, the global economy was projected to grow at 3.7% during the calendar year 2013. On the contrary, world trade and international business witnessed extreme volatility, leading to a decline in the projected growth. This was mainly felt in the high income countries of Western Europe and member-states to

the Organization of Economic Cooperation and Development (OECD) that dominate imports and exports of goods and services in the global economy. Developing countries rely on Western Europe and OECD countries for exports of their goods, the bulk of which are in raw commodities form. This meltdown created reciprocal effect to the economies of developing countries such as Kenya. Exports of Kenyan tea and horticultural products to these markets, the leading foreign exchange earners, were greatly affected by these challenges, a matter that the Government has been addressing at multilateral level.

Another factor that contributed to the low performance of growth was the escalation of oil prices arising from the crisis in the North Africa and Middle East who are the major producers of the commodity in the world market. Petroleum prices are known to affect the performance of the other sectors of the economy considering that oil is the key source of energy, and therefore a major catalyst in economic growth. This was felt through a steep rise in prices of essential goods, high interest rates, inflation and high costs of transport that on the overall reduced Kenya's productivity as well as competitiveness of our exports.

Mitigating the Challenges through Market Development and Consolidation

To contain this situation, the Council has continued to partner with Government in implementing the country's export growth strategy that focuses on the Intra-African market. According to the International Monetary Fund (*IMF: Direction of Trade Statistics, 2012*) trade amongst African countries accounted for between 10% and 12% of their aggregate trade in 2010, while trade amongst the European Union countries stood at over 85%. During the same year, Africa's GDP stood at US\$ 1.6 trillion, compared to USA whose GDP stood at US\$ 14 trillion. There is therefore great potential that is yet to be tapped in Africa, which informs the Council's strategy in focussing on Intra African trade as a quick win in export growth.

The Council has been conducting market surveys in select markets that hold great potential for Kenya's goods and services, namely; the Republic of Nigeria, Ethiopia and Angola. Through the surveys, the Council obtains crucial data and insights that are disseminated to stakeholders to enable them venture decisively into the markets. The surveys are expected to bring out the export potentials that exist in the target market, market entry requirements, market dynamics including tastes and preferences, tariff and non-tariff barriers, bilateral arrangements, infrastructure and support networks, and challenges likely to be faced by Kenyan exporters venturing into such markets. The surveys are expected to highlight any emerging issues that will promote export growth, including the establishment of distribution channels for promotion of our exportable products, where applicable. The Council also participated in Annual Trade Fairs in Kampala, Dar-es-Salaam, Kigali, Angola, Nigeria, Lusaka, Malawi, Sial Food Fair – France, Imports Good Fair, Seoul Korea, Kenya Japan Business Forum, Trade Mission to Ghana and UAE, Speciality Coffee Association of America. The activities

are among those featured in the National Export Market Development Programme on our website, which is compiled with input of different economic sectoral panels, to facilitate development and consolidation of markets globally.

Kenya is a net importer with a huge trade deficit that continues to choke our economy, and the above efforts that the Council is spearheading are aimed at arresting this deficit and free substantial portions of our foreign exchange to cater for development expenditure.


Ongoing Programmes

During the Year, the Council continued to partner with Government and other strategic partners in fast-tracking various projects that are intended to enhance Kenya's export competitiveness both at the regional and international levels. Key among them are:

1. In conjunction with the Commonwealth Secretariat (COMSEC) and the International Road Transport Union (IRU), the TIR (Transport Internationaux Routiers) Carnet, which is a road and rail transport system that facilitates efficient movement of cargo from the origin to destination through an electronic tracking and security system;
2. In conjunction with the Commonwealth Secretariat (COMSEC) and the Association of Professional Societies in East Africa (APSEA), on rolling out trade in services, a platform that will encourage and enable recognition of trade in intangible exports within and outside East Africa;
3. In conjunction with the Government, Kenya's participation to Expo 2015 Milano, Italy, which ran from 1st May to 31st October, 2015;
4. In collaboration with other government agencies helped enterprises develop their products and test marketed in Regional Markets Rwanda, Ethiopia and Dar- Es- Salaam;
5. In conjunction with the County Governments, the Integrated County Approach, where the Council is establishing export competitiveness in the devolved Governments through value addition of agricultural and mineral resources;
6. Market Survey in the Federal Republic of Nigeria and Qatar

Appreciation

I take this opportunity to thank the Ministry of Industry, Trade and Co-operatives, the mother Ministry that has continued to offer unparalleled support to the Council in the execution of programme activities. I also extend appreciation to our stakeholders for their active participation in the export market development programmes that have registered great success in the East African Region, the rest of Africa and other emerging international markets. Finally, I commend the staff of the Council, whose commitment has ensured accomplishment of scheduled activities in wake of existing and emerging challenges.



Ruth Mwaniki
CHIEF EXECUTIVE OFFICER

CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process and structure used by the Council to direct and manage its business affairs. This enables the Council to enhance corporate performance, prosperity, and accounting and to achieve long term value to government taking cognizance of the interest of other stake holders. This statement sets out the main corporate governance practices and structures in the Council.

The Board of Directors of the Export Promotion Council (EPC) is responsible for the governance of the Council and is accountable to the government and stakeholders in ensuring compliance with the relevant laws governing its operation, best practice and the highest standards of business ethics. Accordingly the Directors attach great importance to the need to conduct the business and operations of the Council with integrity, professionalism and has embraced the internationally developed principles and code of best practice of good corporate governance.

Board of Directors

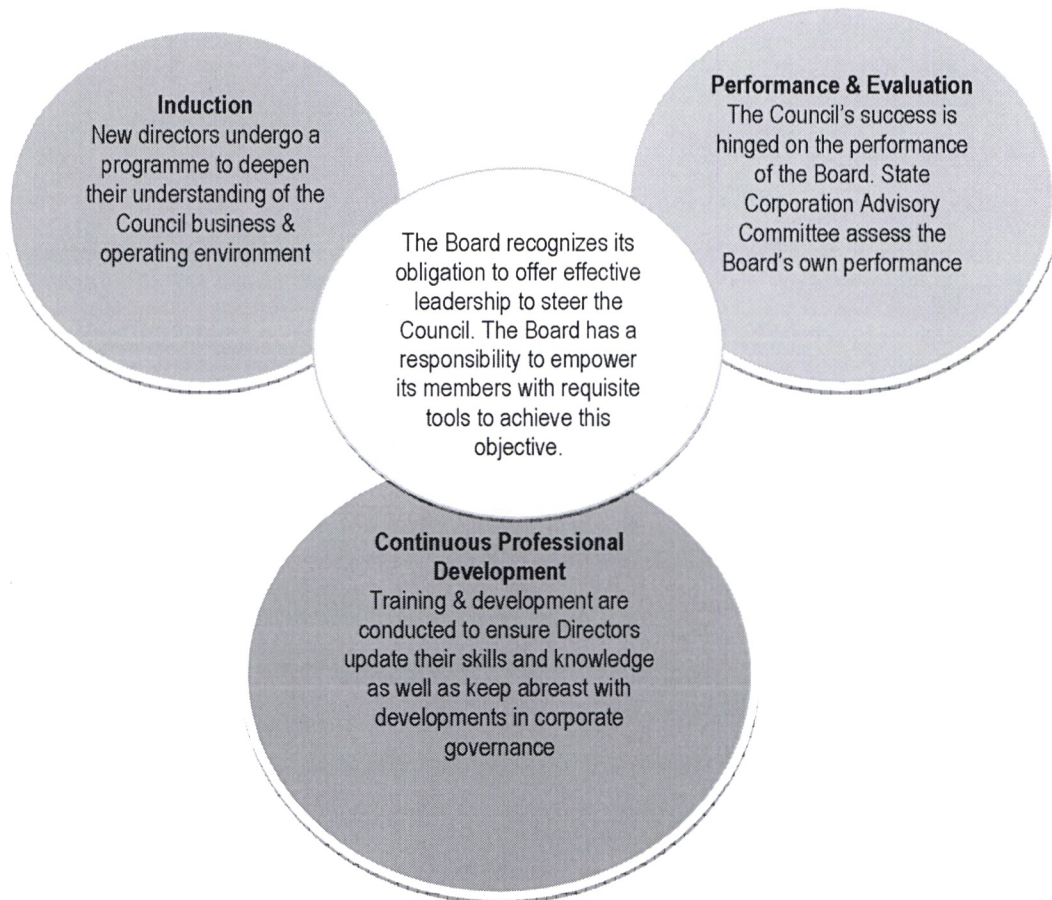
The Board's responsibilities are broadly set in the Board Charter. The Charter further outlines the core commitment required of members of the Board to discharge their mandates. It ensures the effectiveness of each Director's contribution in the governance of the Council by facilitating full and free exercise of independent judgment and professional competencies. The Board comprises of eight (8) directors three (3) of whom are drawn from the private sector and five (5) are from the public sector. The Board defines the Council's strategies, objectives and values. They also ensure that procedures and policies are set in place to ensure effective control over strategic, financial, operational and compliance issues. Except for policy guidance and direction the Board delegates authority of its day – to – day business to the Management through the Chief Executive. It is none the less responsible for the stewardship of the Council and assumes responsibilities for the effective control over the Council.

Board Meetings

The Board holds regular meetings while special meetings are called when it is deemed necessary to do so. The Board held four (4) regular meetings and special meetings during the year under review. The Inspector General of State Corporations from time to time attends meetings of the Board and Board Committees for oversight and advisory purposes in accordance to the State Corporation Act. All the non- executive Directors of the Board are independent of Management and free from any business relationship that could materially interfere with the exercise of their independent judgment. In addition each Director is obligated to disclose to

the Board any real or potential conflict of interest, which comes to his/her attention, whether directly or indirectly.

Board Effectiveness



Committees of the Board

The Board has set up the following principal Committees which meet under well-defined terms of reference set by the Board. This is intended to facilitate efficient decision making of the Board in carrying out its duties and responsibilities.

a) Strategy and Market Promotion Committee

The Committee is responsible for advising the Board on Development, Promotion and diversification of export goods, services and markets and facilitating development of export oriented enterprises.

The membership of the Committee is comprised as follows:

Prof. George Achoki	-	Chairman w.e.f 2nd October 2015
Flora Mutahi	-	Member w.e.f 2nd October 2015
Bintihamad Choyo	-	Member w.e.f 2nd October 2015
Mona Wanjiru Karingi	-	Member w.e.f 2nd October 2015
Wilfred Mwanzia	-	Member w.e.f 1th November 2015
Mohammed Merali	-	(Retired 4th September 2015)
Cyrille Nabutola	-	(Retired October 2015)

The Committee held four (4) regular meetings.

b) Human Resources & Administration Committee

The committee is responsible for assisting the Board in discharging its duty in overseeing the establishment of appropriate administrative and human resources policies and procedures.

The membership of the Committee is comprised as follows:

Mona Wanjiru Karingi	-	Chairman w.e.f 2nd October 2015
Veska Kangongo	-	Member w.e.f 2nd October 2015
Mohamed Salim Bwika	-	Member w.e.f 2nd October 2015
Mohammed Merali	-	(Retired 4th September 2015)
Peter Rotich	-	Retired on 5th April 2016
Dr. Isaya Maana	-	Member w.e.f 6th April 2016
Simon Korir		

The Committee held four (4) regular meetings and special meetings in the year and review

c) Finance and Resource Mobilization

The Committee is responsible for advising the Board on financial reporting processes, the system of internal control, compliance to policies and procedures, budgeting of the Council's activities and programmes and ensuring sustainability of the Council.

The membership of the Committee is comprised as follows:

Dr. Chris Kiptoo	-	W.e.f 18 th December 2015
Solomon Boit	-	Chairman w.e.f 2 nd October 2015
Flora Mutahi	-	Member w.e.f 2 nd October 2015
Prof. George Achoki	-	Member w.e.f 2 nd October 2015
Mohammed Merali	-	Chairman (Retired 4 th September 2015)
Peter Rotich	-	Retired on 5 th April 2016
Joseph Mutuma	-	Member w.e.f 23 rd February 2016
Simon Korir		

The Committee held four (4) regular meetings and special meetings in the period under review.

d) Audit, Risk and Governance Committee

The Committee is responsible for assisting the Board and Management in fulfilling its oversight role in financial reporting processes, systems of internal control, internal audit process, risk management and monitoring compliance with laws, regulations and the code of conduct.

The membership of the Committee is comprised as follows:

Dr. Chris Kiptoo		
Veska Kangogo	-	Chairman w.e.f 2 nd October 2015
Mohammed Merali	-	Chairman (Retired 4 th September 2015)
Peter Rotich	-	Retired on 5 th April 2016
Dr. Isaya Maana	-	Member w.e.f 6 th April 2016
Moses Ikiara	-	Retired October 2015
Joseph Mutuma	-	Member w.e.f 23 rd February 2016
Solomon Boit	-	Member w.e.f 2 nd October 2015

The Committee held four (4) regular meetings in the period under review.

REPORT OF DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of the Council's affairs.

Principal activities

The principal activities of the entity is promoting exports, through strategic assistance to producers of exportable goods and services in overcoming bottlenecks, to enable them achieve a higher level of export performance. The national mandate therefore requires the Council to facilitate export development in a holistic manner and to appropriately respond to the current need of exporters.

Results

The results of the entity for the year ended June 30, 2016 are set out on page 27 to 35.

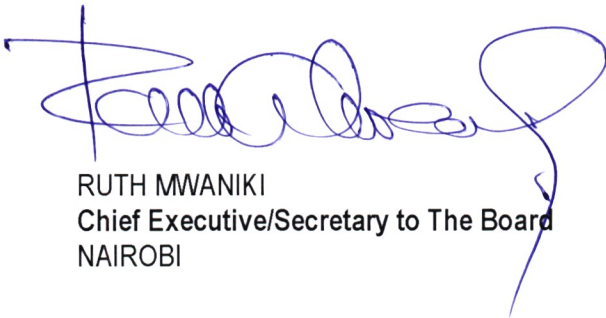
Directors

The members of the Board of Directors who served during the year are shown on page 7 to 12.

Auditors

The Auditor General is responsible for the statutory audit of the Council in accordance with the Section 167 (3) of the Public Finance Management (PFM) Act, 2012.

By Order of the Board



RUTH MWANIKI
Chief Executive/Secretary to The Board
NAIROBI

Date:.....

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 (3) of the Public Finance Management Act, 2012 and the State Corporations Act, require the Directors to prepare financial statements in respect of that Council, which give a true and fair view of the state of affairs of the Council at the end of the financial year and the operating results of the Council for financial year ending 30th June, 2016. The Directors are also required to ensure that the Council keeps proper accounting records which disclose with reasonable accuracy the financial position of the Council. The Directors are also responsible for safeguarding the assets of the Council.

The Directors are responsible for the preparation and presentation of the Council's financial statements, which give a true and fair view of the state of affairs of the Council 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 Council; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

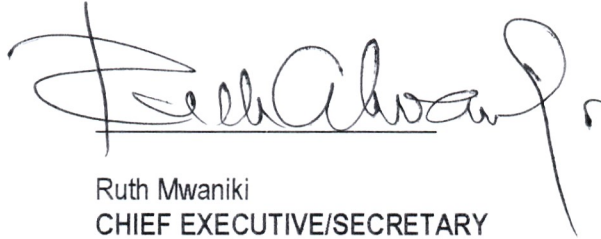
Nothing has come to the attention of the Directors to indicate that the Council will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Council's financial statements were approved by the Board on 30th September 2016 and signed on its behalf by:



Jaswinder Bedi
CHAIRMAN



Ruth Mwaniki
CHIEF EXECUTIVE/SECRETARY



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON EXPORT PROMOTION COUNCIL FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Export Promotion Council set out on pages 1 to 26, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Report of the Auditor-General on the Financial Statements of Export Promotion Council for the year ended 30 June 2016

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council'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 audit opinion.

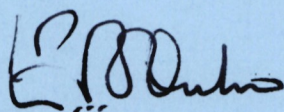
Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Export Promotion Council as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenyan Companies Act.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, I report based on my audit, that:

- i. 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;
- ii. In my opinion, proper books of account have been kept by the Council, so far as appears from my examination of those books; and,
- iii. The Council's statement of financial position and statement of comprehensive income are in agreement with the books of account.



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

Nairobi

03 April 2017

**STATEMENT OF FINANCIAL PERFORMANCE
AS AT 30TH JUNE 2016**



	Note	2016 KShs	2015 KShs
INCOME			
Grants Received		706,685,745	663,923,396
Deferred Income	3	<u>0</u>	<u>(219,966,368)</u>
	4	706,685,745	443,957,028
COST RECOVERIES	5	<u>6,735,643</u>	<u>8,465,317</u>
		<u>713,421,388</u>	<u>452,422,345</u>
EXPENSES			
Administrative expenses	6	85,066,813	100,906,020
Staff Costs	7	107,046,742	108,102,127
Directors emoluments	8	13,540,046	13,807,171
Other operating expenses	9	<u>510,928,074</u>	<u>222,554,782</u>
TOTAL EXPENSES		<u>716,581,675</u>	<u>445,370,100</u>
DEFICIT AMOUNT FOR THE YEAR	11	<u>(3,160,288)</u>	<u>7,052,245</u>

**STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE, 2016**



ASSETS		<u>2016</u>	<u>2015</u>
NON CURRENT ASSETS			
Property and Equipment	12	26,675,705	18,070,205
Intangible assets	13	<u>45,815</u>	<u>313,947</u>
		<u>26,721,520</u>	<u>18,384,152</u>
CURRENT ASSETS			
Accounts Receivable	14	27,832,888	82,535,586
Investment in Call Deposits	15	533,519	533,519
Bank and Cash balances	15	114,859,394	289,627,990
		<u>143,225,801</u>	<u>372,697,096</u>
TOTAL ASSETS		<u>169,947,321</u>	<u>391,081,247</u>
RESERVES AND LIABILITIES			
RESERVES			
General fund	15	65,244,487	68,404,774
Non Current Liabilities			
Staff Welfare Scheme	17	83,472,155	79,015,698
CURRENT LIABILITIES			
Accounts Payables	18	<u>21,230,679</u>	<u>243,660,775</u>
TOTAL RESERVES AND LIABILITIES		<u>169,947,321</u>	<u>391,081,247</u>

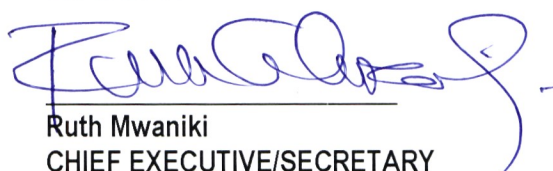
The draft financial statements were approved by the Board of Directors on...30th September.....2016 and signed on its behalf by:-



Jaswinder Bedi

24th March 2017
Date

CHAIRMAN



Ruth Mwaniki
CHIEF EXECUTIVE/SECRETARY

10th March 2017
Date

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30TH JUNE 2016**



	General Fund KShs	Total Reserves KShs
Year ended 30th June, 2015		
At 1 st July 2014	61,352,529	61,352,529
Surplus for the year	7,052,245	7,052,245
Balance as at 30th June 2015	<u>68,404,774</u>	<u>68,404,774</u>
Year ended 30th June 2016		
Balance B/F (As at 1 st July 2015)	68,404,774	68,404,774
Surplus/(Deficit) for the Year	<u>(3,160,287)</u>	<u>(3,160,287)</u>
Balance as at 30th June 2016	<u>65,244,487</u>	<u>65,244,487</u>

**STATEMENT OF CASHFLOWS
THE YEAR ENDED 30TH JUNE, 2016**



	2016 Kshs	2015 Kshs
Surplus/ (Deficit) for the year	(3,160,288)	7,052,245
Adjustments for:-		
Depreciation of equipment and motor vehicles	10,036,413	10,668,020
Amortization	318,111	342,487
Operating surplus before working capital changes	7,194,237	18,062,752
Accounts receivables	54,702,698	(73,699,477)
Accounts payables and changes in staff welfare scheme	<u>(217,973,640)</u>	<u>127,113,148</u>
Net Cash flows utilized in operating activities	<u>(156,076,705)</u>	<u>71,476,454</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(18,691,892)	(53,910)
Net cash flows utilized in investing activities	(18,691,892)	(53,910)
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(174,768,597)</u>	<u>71,422,544</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR 1ST JULY 2015	290,161,509	218,738,965
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR 30TH JUNE 2016	<u>115,392,912</u>	<u>290,161,509</u>

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE, 2016



DESCRIPTION	ACTUAL	BUDGET	PERFORMANCE DIFFERENCE
	KSHS.	KSHS.	KSHS.
INCOME			
GRANTS RECEIVED	486,719,377	486,719,377	0
COST RECOVERIES	6,735,643	4,860,000	1,875,643
DEFERRED PROJECTS INCOME (2014/15)	219,966,368	219,966,368	0
TOTAL INCOME	713,421,388	711,545,745	1,875,643
EXPENSES			
Office rent and rates	24,509,533	19,000,000	-5,509,533
Depreciation & Amortization	10,354,525	10,350,000	-4,525
Medical expenses	10,002,213	10,000,000	-2,213
Other Administration expenses	40,200,543	58,063,730	17,863,187
Staff Costs	107,046,742	114,383,320	7,336,578
Directors' Expenses	13,540,046	15,756,800	2,216,754
Programme Costs	510,928,074	481,861,842	-29,066,232
EXPENDITURE	716,581,675	709,415,692	-7,165,984

1. Statement of compliance and basis of preparation – IPSAS 1

The financial statements are prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

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

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees

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

Transfers from other government entities

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

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

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

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

Interest income

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

b) Budget information – IPSAS 24

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

c) Taxes – IPSAS 12

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax

returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

d) Investment property – IPSAS 16

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use

e) Property, plant and equipment – IPSAS 17

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

Property and equipment are stated at cost, less accumulated depreciation and any impairment losses. Depreciation is calculated to write off the cost of property and equipment in equal annual installments at the following rates:

Furniture and fittings	12.5%
Office equipment	20%
Motor vehicles	25%
Computer equipment	25%

f) Leases – IPSAS 13

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Council. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets – IPSAS 31

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

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

h) Financial instruments – IPSAS 29

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Council has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

IPSAS 29.65

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

i) Inventories – IPSAS 12

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

j) Provisions – IPSAS 19

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

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

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

Contingent assets

The Council does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

The Council creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.

l) Changes in accounting policies and estimates – IPSAS 3

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

m) Employee benefits – IPSAS 25

Retirement benefit plans

The Council provides retirement benefits for its employees and councilors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

n) Foreign currency transactions – IPSAS 4

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

o) Borrowing costs – IPSAS 5

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed

and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related parties – IPSAS 20

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

q) 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 Parastatal public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Comparative figures

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

s) Significant judgments and sources of estimation uncertainty – IPSAS 1

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

State all judgements, estimates and assumptions made: e.g.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

t) Subsequent events – IPSAS 14

There has been no event subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2016.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2016**



3.	DEFERRED INCOME	2015/2016	2014/2015
	Market Research in Nigeria	-	14,646,500
	Enterprise Resource Planning and Portal	-	7,648,000
	EXPO 2015, Milan	-	122,064,999
	Risk Management	-	2,259,261
	Website Development	-	1,536,871
	Customer Relationship Management	-	2,000,000
	Upgrade of Financial Management System and subscriptions	-	11,389,561
	EPC Marketing Documentary	-	12,000,000
	Purchase of utility vehicles for field offices	-	17,000,000
	Strategic Planning Review & Team Building	-	7,960,641
	ICT Systems Audit	-	1,500,000
	Security Door Access and CCTV	-	3,000,000
	Enterprise Export Capacity Building	-	3,332,021
	Test Marketing of New Developed Products	-	3,628,514
	Linking of Regional Offices to Head office	-	1,500,000
	Market Linkages and Test marketing	-	8,500,000
	Total	<u>0</u>	<u>219,966,368</u>
	GRANTS RECEIVED		
4.	Grants received from:		
	The Government of Kenya: Recurrent	406,719,377	460,565,586
	The Government of Kenya: Development	80,000,000	80,000,000
	Total grants received in 2015/2016	486,719,377	540,565,586
	Deferred Income brought forward	<u>219,966,368</u>	<u>123,357,810</u>
	Total grants for the year	706,685,745	663,923,396
	Deferred Income	<u>(0)</u>	<u>(219,966,368)</u>
		<u>706,685,745</u>	<u>443,957,028</u>
5.	COST RECOVERIES		
	Sundry income	3,208,103	411,378
	Participation fees from trade fairs	2,146,872	3,701,476
	Training income	0	350,884
	Interest income from Bank deposits	<u>1,380,668</u>	<u>4,001,579</u>
		<u>6,735,643</u>	<u>8,465,317</u>

6. ADMINISTRATIVE EXPENSES

Office rent and rates	24,509,533	18,855,815
Travelling expenses	6,197,073	5,225,654
Medical expenses	10,002,213	8,653,809
Depreciation	10,036,414	10,668,020
Recruitment and training	8,127,235	5,301,030
Telephone	3,729,239	3,707,974
Printing and stationery	3,942,708	3,506,207
Motor vehicle expenses	2,343,918	3,183,138
Repairs and maintenance	4,099,548	3,911,555
Insurance	708,749	1,498,260
Postal and internet expenses	1,937,736	1,847,319
Legal and professional fees	2,083,200	1,324,769
Subscriptions	169,589	79,000
Newspapers and magazines	924,880	1,619,552
Auditors' remuneration	406,000	483,140
Amortization of intangible assets	318,111	342,487
Club subscriptions	693,651	1,359,189
Liaison and Networking	435,728	198,933
Catering and cleaning	3,906,609	3,589,050
Staff Welfare Fund	0	25,000,000
Bank charges	494,681	551,119
	<u>85,066,815</u>	<u>100,906,020</u>

7. STAFF COSTS

Salaries and wages	95,796,443	96,509,206
Contribution to staff schemes	10,244,967	10,496,395
Group Life Insurance	878,991	884,401
Social Security Costs	126,340	130,600
Court Award	0	81,525
	<u>107,046,741</u>	<u>108,102,127</u>

8. DIRECTORS EMOLUMENTS

Directors emoluments	<u>13,540,046</u>	<u>13,807,171</u>
	<u>13,540,046</u>	<u>13,807,171</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2016**



9 OTHER OPERATING EXPENSES

Expo expenses (Note 10)	351,180,437	106,106,330
Fairs and exhibitions	89,893,782	62,157,308
Trade promotion and publicity	61,104,283	44,872,497
Advertising	1,578,070	431,480
International Organization for Standardization (ISO) Certification	477,905	1,361,800
CBIK expenses	5,951,864	7,625,367
Strategic evaluation review	741,734	0
	<u>510,928,074</u>	<u>222,554,782</u>

10 EXPO EXPENSES

This relates to Expo 2015 Milan, which was held from May to December , 2015

11. DEFICIT FOR THE YEAR

Deficit for the year has been realized after charging:

Depreciation	10,036,414	10,668,020
Amortization of intangible assets	318,111	342,487
Auditors' remuneration - fees	-	483,140

12. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment KShs	Computer Equipment KShs	Furniture and Fittings KShs	Motor Vehicles KShs	Total KShs
Cost					
AT 1st July, 2014	22,220,768	34,653,216	29,097,542	28,227,862	114,199,388
Additions	-	-	53,910	-	53,910
AT 30th June, 2015	<u>22,220,768</u>	<u>34,653,216</u>	<u>29,151,452</u>	<u>28,227,862</u>	<u>114,253,298</u>
Additions	29,995	-	1,423,795	17,188,123	18,641,913
AT 30th June, 2016	<u>22,250,763</u>	<u>34,653,216</u>	<u>30,575,247</u>	<u>45,415,985</u>	<u>132,895,211</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2016**



Depreciation					
At 30th June, 2014	19,407,473	24,178,682	23,249,659	18,679,259	85,515,072
Depreciation /Amortization	1,133,091	3,805,153	1,062,037	4,667,739	10,668,020
At 30th June, 2015	20,540,564	27,983,835	24,311,696	23,346,998	10,668,020
Depreciation	1,056,989	3,727,192	1,079,987	4,172,244	10,036,413
At 30th June, 2016	21,597,553	31,711,027	25,391,683	27,519,242	106,219,506
Net book Values					
At 30 June 2016	653,210	2,942,189	5,183,564	17,896,743	26,675,705
At 30 June 2015	1,680,204	6,669,381	4,839,756	4,880,864	18,070,205
At 30th June 2014	2,813,295	10,474,534	5,901,793	9,548,603	28,738,226
13. INTANGIBLE ASSETS			2016		2015
			KShs		KShs
COST					
Balance B/F			9,031,378		9,031,378
Additions			49,979		-
At 30th June			<u>9,081,357</u>		<u>9,031,378</u>
AMORTISATION					
Balance B/F			8,717,431		8,374,945
Charge for the year			318,111		342,486
At 30th June			<u>9,035,542</u>		<u>8,717,431</u>
NET BOOK VALUE			<u>45,815</u>		<u>313,947</u>
14. ACCOUNTS RECEIVABLES					
Staff Receivables			13,959,892		76,044,613
Prepayments			<u>13,872,996</u>		<u>6,490,973</u>
			<u>27,832,888</u>		<u>82,535,586</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2016**



15. CASH AND CASH EQUIVALENTS

Investment in Call Deposit	533,519	533,519
Bank and Cash Balances	<u>114,859,394</u>	<u>289,627,990</u>
	<u>115,392,912</u>	<u>290,161,509</u>

16. RESERVES

General Fund (Unrestricted)		
Balance B/F	68,404,774	61,352,529
Surplus/Deficit for the Year	(3,160,288)	7,052,245
At 30 th June	<u>65,244,487</u>	<u>68,404,774</u>

17. STAFF WELFARE SCHEME

a)

The Council has set up a Staff Housing and Car Loan Scheme for staff which will act as a revolving fund where staff can access low interest loans as per the SRC circular. This is aimed at motivating , attracting and retaining high caliber staff.

b)

The Council Staff Welfare Scheme for the year ended 30 June 2016 was **Kshs. 83,472,155** (2015 – **KShs 79,015,698**).

Details	Amounts
Opening Balance as at 01.07.15	79,015,698
Earned Interest	4,456,457
Staff Welfare Scheme balance as at 30.06.15	83,472,155

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2016**



18. ACCOUNTS PAYABLE

Deferred Income	0	219,966,368
Payables	18,040,611	21,328,287
Due to Staff Gratuity Scheme	533,518	533,519
Staff Leave Pay Provision	<u>2,656,550</u>	<u>1,832,601</u>
	<u>21,230,679</u>	<u>243,660,775</u>

19. OPERATING LEASE COMMITMENTS

Operating lease payments represent rentals payable by the Council for its office space. Property rental expenses on leased office accommodation during the year amounted to Kshs.21,338,941 (compared to KShs. 19,399,037 for 2015). At the statement of Financial Position date, the Council had outstanding commitments under the operating lease on office accommodations which fall due as follows:

Within One Year	21,338,941	19,399,037
Between 2 - 5 Years	<u>90,659,897</u>	<u>82,418,088</u>
At 30th June	<u>111,998,838</u>	<u>101,817,126</u>

20. RETIREMENT BENEFIT OBLIGATIONS

The Council operates a defined contribution scheme for all permanent employees. The Council contributes 20% of employees' basic pay into this fund per month, while the employee contributes 10%. This scheme is administered by the Insurance Company of East Africa Limited. The Council's contribution to the scheme for the year ended 30 June 2016 was KShs.8,514,087 (2015 – KShs 8,911,970.86).

The Council also contributes to the statutory defined contribution pension scheme, the National Social Security Fund. This is a defined contribution scheme under the National Social Security Act. The Council's obligation under the scheme are limited to specific contributions set from time to time and are currently limited to KShs 200 per month per employee. Contributions to the scheme during the year amounted to KShs. 126,340 (2015– KShs. 130,600).

21. CAPITAL MANAGEMENT

The primary objective of the Council's capital management is to ensure that the Council complies with capital requirements and maintains healthy capital ratios in order to support its business and to maximize shareholders' value.

The Council maintains an actively managed capital base to cover risks inherent in the business. The impact of the level of capital on Council's return is also recognized and the Council recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

22. COUNTRY OF INCORPORATION

The Council is incorporated in Kenya under the Companies Act as a Council limited by guarantee and not having a share capital.

23. SINKING FUNDS

The Council will have a separate investment account for the sinking fund (capital replacement reserves) and item disclosed as a separate line item in the statement of changes in net assets in the subsequent year (2016/2017) which will be approved by the Board of Directors. The Council has however been retaining its earnings through the general fund over the years

24. RELATED PARTY DISCLOSURES AS PER IPSAS 20

The Council regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the senior managers. There were no related party transactions in the year under review.

The Council relies 100% of its funding from the Government of Kenya and this gives rise to significant influence and therefore a related party relationship. Parties are considered to be related if one party has the ability to control the other or exercise significant influence over the other party in making financial or operational decisions. The Council's main related parties are the Government of Kenya and the Ministry of Industry, Trade and Cooperatives.

Director and key management compensation	2016	2015
	Kshs	Kshs
<hr/>		
Fees for services as a Director		
Non-Executive Directors	13,540,046	13,807,171
<hr/>		
Other emoluments:		
Salaries and other short-term employment benefits:		
Key management	29,562,912	30,772,896
<hr/>		
Total fees and other emoluments	43,102,958	44,580,067

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25. FINANCIAL RISK MANAGEMENT

The Council's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree or a combination of risks. The business of the Council requires taking risk and the operational risks are an inevitable consequence of being in business.

The Council thus strives to achieve an appropriate balance between risk and return and minimise potential adverse effects on its performance. The key types of risks include;

- Credit risk
- Liquidity risk

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Council's risk management framework.

Top management identifies and evaluates the risks in close cooperation with the operating units and this is submitted to the board for review.

The Council does not enter into or trade in financial instruments for speculative purposes.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2016**



i) Foreign currency risk

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

Kshs

At 30 June 2016

Financial assets;

Bank Balance 4,307,124

4,307,124

Liabilities;

Trade and other payables 756,724

Net currency liability 3,550,400

Kshs

At 30 June 2015

Financial assets

Bank Balance 4,552,928

4,552,928

Liabilities

Trade and other payables

Net currency liability 4,552,928

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 2016**



ii) Credit risk

The Council has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risks arise from cash and cash equivalents, and deposits with banks, as well as other receivables.

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

	Neither Past Nor impaired Kshs	Due Over 60 days Kshs	Past due not impaired Over 365 days Kshs	Total Kshs
At 30 June 2016				
Bank Balance	114,859,394			114,859,394
Investment in Call Deposit	533,519			533,519
Other Receivables (excluding Prepayments)	13,872,996			13,872,996
	129,265,909			129,265,909
At 30 June 2015				
Bank Balance	289,627,990			289,627,990
Investment in Call Deposit	533,519			533,519
Other Receivables (excluding Prepayments)	76,044,613			76,044,613
	366,206,122			366,206,122

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Receivable balances from Council's staff are recovered on payment of salaries.

iii) Liquidity risk

Liquidity risk is the risk that the Council will not be able to meet its financial obligations as they fall due. The Council's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damaging the Council's reputation. Ordinarily the Council ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted such as natural disasters. The Council monitors its risk to shortage of funds using a liquidity planning tool.

The table below analyses maturity profiles of the financial liabilities of the Council based on the remaining period using 30th June 2016 as a base period to the maturity date.

	Less than 3 Months KShs	3 to 12 months Kshs	1 to 5 years Kshs	Total Kshs
<hr/>				
At 30 June 2016				
Trade and other payables	21,230,679			
<hr/>				
At 30 June 2015				
Trade and other payables	23,693,407			

26. BUDGET VARIANCE

The annual budgets are prepared on accrual basis. The positive variance of **Kshs. 1.9 M** under income was due to more A-I-A raised than budgeted for due to increased uptake of the Council's activities like training and participation in Trade Promotion activities.

The negative variance of **Kshs. 7.2 M** is due to budget cuts that were meted mid-stream during implementation when activities had already been rolled out and committed.

27. CONTIGENT LIABILITIES

The Council has a court case where a former employee has sued the failing to absorb him after completing his studies. Leave of absence had not been granted hence the Council could not reabsorb. The Council has not provided for any contingent liability on the matter.