REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA DEVELOPMENT CORPORATION

FOR THE YEAR ENDED 30 JUNE, 2022

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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KENYA DEVELOPMENT CORPORATION

KENYA DEVELOPMENT CORPORATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2022

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

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III.Management Team

Name of the Staff	Responsibility
1. Christopher Huka 	**Interim Director** Mr. Huka, is the Interim Director General of Kenya Development Corporation (KDC) and a Board Member. He was appointed on 17th May, 2021. With a long career in the private and public sectors, working at senior executive level Mr Huka has an extensive work experience of over 25 years in Banking, Oil & Gas sectors. Presently, he is the Interim Director General at KDC mandated to manage the merger and transition of TFC, IDB Capital and ICDC into a single development finance institution entity. Mr. Huka holds a Master of Business Administration degree in Human Resources Management from the University of Nairobi, Bachelor of Education degree from Moi University, Diploma in Executive Coaching; Academy of Executive Coaching – UK, Higher National Diploma: HRM from Institute of Human Resource Management, Kenya and advanced Certificate in Strategic HR Management, Cornell University – USA.
2. Grace Magunga 	**Company Secretary/Director Legal Service** Mrs. Grace Magunga is the Director Legal Services and Corporation Secretary. She is the Legal advisor to the Corporation and has vast experience spanning over 25 years in Corporate & Commercial law, Property law, Employment law, Litigation & dispute Resolution and Governance. She has served as Company Secretary in various Board that include Industrial and Commercial Development Corporation (ICDC), Almasi Beverages Limited – Group of Companys, Funguo Investments Limited (FIL), Kenya National Trading Company (KNTC) Limited, Freshpick Processors (EPZ) Limited, Mountain Lodges Limited and Focus Container Freight Station Ltd.

GRACE M. MAGUNGA - CORPORATION SECRETARY

Mrs. Grace Magunga is the Director Legal Services and Corporation Secretary.

She is the Legal advisor to the Corporation and has vast experience spanning over 25 years in Corporate & Commercial law, Property law, Employment law, Litigation & dispute Resolution and Governance. She has served as Company Secretary in various Board that include Industrial and Commercial Development Corporation (ICDC), Almasi Beverages Limited – Group of Companies, Funguo Investments Limited (FIL), Kenya National Trading Company (KNTC) Limited, Freshpick Processors (EPZ) Limited, Mountain Lodges Limited and Focus Container Freight Station Ltd.

Mrs. Magunga holds a Master of Science degree, Human Resource Management from Jomo Kenyatta University of Agriculture and Technology and a Bachelor of Law degree from the University of Nairobi. She has a Diploma in Legal Practice and is a Certified Public Secretary (CPS K).

	**HENRY OBARE MAOSA - DIRECTOR** Mr. Maosa was appointed a Director to KDC Board on 17th May 2021. A successful career banker with more than 20 years of experience and exposure in the financial services sector. Currently, he is the Head of Business Performance and Planning at the National Bank of Kenya (NBK). Previously he served as the Head of Reporting at NBK rising through the ranks to the position of Head of Strategy and Projects and thereafter appointed to the position of Ag. Chief Finance Officer. Prior to joining NBK, he served in various management capacities at Standard Chartered Bank (SCB). Similarly, he has worked for KCB Group. Mr. Maosa holds a Master of Business Administration degree in Strategic Management and a Bachelor of Arts degree in Economics both from the University of Nairobi. He holds a Higher Diploma in Computer Science from IMIS-UK, a Certified Public Accountant of Kenya, CPA (K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).
	**JOSEPH MARARO GIKONYO- ALTERNATE DIRECTOR TO PS STATE DEPARTMENT OF TOURISM** Mr. Gikonyo was appointed a Director to KDC Board on 16th June 2022 He is a specialist in Financial Analysis/Planning & Budgeting, Economic Analysis, Public Policy and Research Analysis and has trained in Public Private Partnerships (PPP) Queens University and Kenya School of Government. Mr. Gikonyo is the Senior Finance Officer/Senior Principal Officer National Treasury – Ministry of Tourism and Wildlife and Director to the Oversight Board – Tourism Promotion Fund. He has previously worked as a senior economist in Narok County Government. Mr. Gikonyo holds a Master's degree in Economics; Economic policy and Management and Bachelor degree in education; economics and statistics both from Kenyatta University.

JUDITH CHELANGAT KERICH - DIRECTOR

Ms. Kerich was appointed a director to KDC Board on 17th May 2021

She has a wide experience spanning over 25 years in Public and Private Sector. She is the Deputy Project Coordinator (Strategy and Policy Guidance) with World Bank, Kenya, providing strategic guidance, insights and perspectives at senior leadership level. Previously she has served as Director Corporate Service with National Transport & Safety Authority, Manager Human Resources Services, Kenya Airport Authority and Human Resources Officer at Jomo Kenyatta International Airport.

She also serves at executive board committees, oversight committees and senior leadership teams working in complex multi-stakeholder environment with accountability the public sector the Government of Kenya, private corporations, NGOs and communities.

Ms Kerich, holds Master's degree in Public Policy and Management from Strathmore Business School, a Masters of Business Administration Strategic Management both from Strathmore Business School and Bachelor of Commerce degree from Catholic University of Eastern Africa (CUEA)

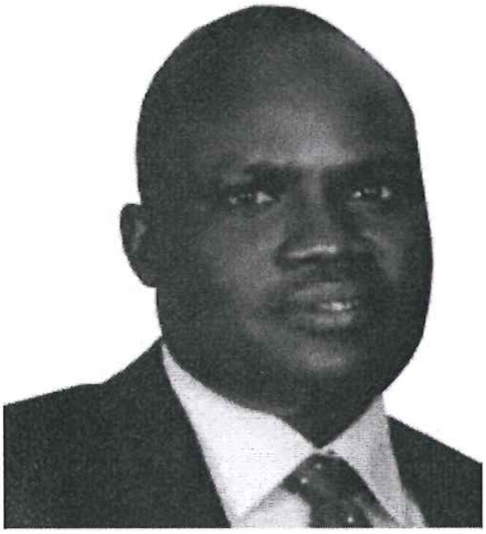
WILSON MBOCHE WAITHAKA – DIRECTOR

Mr. Mboche was appointed a director to KDC Board on 17th May 2021.

A highly qualified and experienced operations executive with more than 20 years' experience across a variety of business sectors. He is focused and effective leader with proven ability to start-up companies creating operational control, cost rationalization programs, strategic planning and execution. He is the Operations and Strategic Planning Consultant at Capital Colours Creative Design Limited responsible for streamlining current operations to reduce costs and increase profitability.

He serves as a Director of Island Farm Limited. He has held senior executive positions, Director at Bawan Roses Limited, General Manager at Brookside Dairy Limited and Operations Analyst at Car & General Kenya Ltd.

Mr. Mboche holds Master of Business Administration degree and Bachelor of Science in Business Administration from Bryant College, Smithfield, Rhode Island.

	**DR. STEPHEN IKIKII - ALTERNATE DIRECTOR TO CS NATIONAL TREASURY** Dr. Stephen was appointed as alternate Director to the Cabinet of the National Treasury in Kenya Development Corporation. He was appointed on 23rd July 2021. He is a Deputy Director Investments with over 17 years' experience at the National Treasury, highly skilled in Policy Analysis, Analytical Skills, Economic Research, and Strategic Planning and has represented Cabinet Secretary to the National Treasury in over 10 different Boards of State Corporations. Dr. Stephen holds a PhD in Economics (Hacettepe University), MSc in Financial Economics (Jomo Kenyatta University of Agriculture & Technology) and BSc (Mathematics) from Moi University. He is a full member of Institute of Certified Investment and Financial Analysts (ICIFA).
	**HARRO ILIUS ELEMA - DIRECTOR** Mr. Ilius was appointed a director to KDC Board on 17th May 2021. He is an astute businessman with diversified experience specializing in hospitality and energy. He worked with Postal Corporation of Kenya, Marketing division responsible for developing and executing strategic marketing campaigns to promote the banks awareness and brand visibility using integrated communication channels. He is a board member at Imperial Dale (K) Ltd, Founder Director Elle Logistics Ltd and also served as Managing Director at OXX Ltd Mr. Ilius holds a Bachelor of Business Administration degree from Kenya Methodist University, advance diploma in Business Administration and a diploma in Disaster Management and Conflict Resolution.

	**CHRISTOPHER G. HUKA - INTERIM DIRECTOR** Mr. Huka, is the Interim Director General of Kenya Development Corporation (KDC) and a Board Member. He was appointed on 17th May, 2021 With a long career in the private and public sectors, working at senior executive level Mr Huka has an extensive work experience of over 25 years in Banking, Oil & Gas sectors. Presently, he is the Interim Director General at KDC mandated to manage the merger and transition of TFC, IDB Capital and ICDC into a single development finance institution entity. Mr. Huka holds a Master of Business Administration degree in Human Resources Management from the University of Nairobi, Bachelor of Education degree from Moi University, Diploma in Executive Coaching; Academy of Executive Coaching – UK, Higher National Diploma: HRM from Institute of Human Resource Management, Kenya and advanced Certificate in Strategic HR Management, Cornell University – USA.
	**BEATRICE GATHIRWA -DIRECTOR** Ms. Gathirwa was appointed a director to KDC Board on 17th May 2021. She brings a wealth of experience drawn from the public services sector having served as a Senior Deputy Accountant General/Director of National Assets and Liabilities Management Investment in the Directorate of Public Investment and Portfolio Management in the National Treasury. Her specialization is in Accounts and Finance. Ms Gathirwa holds a Masters of Business Administration degree from Moi University, a Bachelor of Commerce degree (Accounting Option) from the University of Nairobi and is a Certified Public Accountant (K).

II.The Board of Directors

Name	Key Qualifications
	**MICHAEL NYACHAE -CHAIRMAN** Mr. Nyachae, is the Chairman of Kenya Development Corporation (KDC). He was appointed to the board on 5th November, 2021. A great entrepreneur driven by passion, creativity and innovation for business and determination to succeed. He is a specialist in Strategy and Business Management with excellent leadership and managerial skills having served in numerous Boards with experience spanning close to three decades. Successfully he has served in the Boards of Sansora Group Ltd, Sansora Bakers and Confectioners Ltd, Associated Auto Centre Ltd, Kisii Bottlers Ltd, Swan Centre Ltd and Almasi Beverages. He also serves as a director at Cereal Growers Association in Kenya. He was awarded Who's Who Among Students in American Universities and Colleges prize. The Award is given to students with outstanding leadership skills in a number of disciplines that include community service. Michael has been instrumental in community service, sitting as a Board member in several educational institutes where he has been able to equip students with assertive and leadership skills that are vital for success in life. Mr. Nyachae holds a Master of Business Administration degree in Strategic Management from Howard University, Washington DC and a Bachelor of Science Degree from State University of New York, U.S.A.

P.O Box 44599-00100
Nairobi

4. National Bank of Kenya
Harambee Avenue
P.O Box 72866-00200
Nairobi

5. Development Bank of Kenya Limited
Finance House, Loita Street
P.O. Box 30483-00100
Nairobi

i) Independent Auditors

Auditor-General
The Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

j) Principal Legal Advisers

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

d) Corporate Secretary
Mrs Grace Magunga
P.O. Box 12665-00100
Nairobi

e) Registered Office
Uchumi House
Aga Khan Walk
P.O. Box 12665-00100
Nairobi, KENYA

f) Corporate Headquarters
P.O. Box 12665-00100
Uchumi House
Aga Khan Walk
Nairobi, KENYA

g) Corporate Contacts
Telephone: (254) 020-2771000
E-mail: info@kdc.go.ke
Website: www.kdc.go.ke

h) Corporate Bankers

1. KCB Bank Kenya Limited
   Moi Avenue
   P.O. Box 60000
   City Square 00200
   Nairobi, Kenya

2. Co-operative Bank of Kenya
   Uchumi House
   Aga Khan Walk
   P.O Box 40310 – 00100
   Nairobi

3. NCBA Bank Limited
   Mara and Ragati Roads
   Upper Hill

4. Oneness – working well together with deep-seated honesty trust in order to achieve our common goal.
5. Customer focus - continuously improving and providing unusually high-quality attention and service to the needs of our customers.

c) Directors

The Directors who served the entity during the year/period were as follows:

1.	Michael Nyachae	- Chairman	- Appointed on 5th Nov 2021
2.	Christopher Huka	- Interim Director General	- Appointed on 11th June 2021
3.	Beatrice Gathirwa		- Appointed on 17th May 2021
4.	Wilson Mboche Waithaka		- Appointed on 17th May 2021
5.	Judith Kerich		- Appointed on 17th May 2021
6.	Henry Maosa		- Appointed on 17th May 2021
7.	Ilius Elema Harro		- Appointed on 17th May 2021
8.	Dr. Stephen Ikikii	Alternate to CS TNT	- Appointed on 23rd July 2021
9.	Joseph Gikonyo	Alternate to PS SDT	- Appointed on 16th June 2022

I. Key Entity Information

a) Background information

Kenya Development Corporation (KDC) was incorporated as a state owned private limited company on 20th November 2020 to merge the operations of three DFIs namely, Industrial and Commercial Development Corporation, Tourism Finance Corporation and IDB Capital Limited. KDC commenced operations on 1st July 2021. At Cabinet level, KDC is represented by the Cabinet Secretary for The National Treasury and Planning, who is responsible for the general policy and strategic direction of the Corporation. KDC is domiciled in Kenya and operates from Uchumi House, Aga Khan Walk, in Nairobi.

b) Principal Activities

The principal activity of KDC is to promote sustainable socio-economic development by providing development finance, infrastructure finance, business support and advisory services to medium and large-scale industries, infrastructure projects and commercial undertakings in target sectors in Kenya and elsewhere. In fulfilling this mandate, the Corporation's will play a catalytic role through provision of long-term financing and other financial investments as well as business advisory services.

Vision

The leading financial partner that drives Kenya's progress and prosperity.

Mission

To catalyse sustainable socio-economic development by providing financial support and advisory services in select sectors.

Core Values

The core values are the basis upon which the Board, Management and Staff of KDC acts, will make decisions, plan and strategizes, and how the staff will interact with each other and with KDC's stakeholders and clients. The core values of KDC are:

1. Integrity - adhering to corporate and moral values, acting with honesty and fairness, and treating all staff and stakeholders with respect and within the law;

2. Agility – have the ability to be rapid, continuous, and systematic evolutionary adapt and innovative directed at gaining and maintaining competitive advantage.

3. Creativity - being original, flexible and more effective in creating value and growth in the market and society;

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<table>
<tr><td></td><td>Mrs. Magunga holds a Master of Science degree, Human Resource Management from Jomo Kenyatta University of Agriculture and Technology and a Bachelor of Law degree from the University of Nairobi. She has a Diploma in Legal Practice and is a Certified Public Secretary (CPS K).</td></tr>
<tr><td>3. Faith Nene
</td><td>Director Corporate Services

Ms. Faith Nene is the Director Corporate Services at KDC.

She has significant knowledge and expertise in the fields of HR, Strategy and Policy formulation gained over a period of two decades, with over sixteen years being at Senior Management level. She has extensive Board Room experience having served on the Boards of Kenya Wines Agencies Ltd (KWAL), Mount Kenya Bottlers, Uchumi Supermarkets, Funguo Registrars, Njimia Kenya Limited (a pharmaceutical company) currently serving on the Board of Isuzu East Africa, Agro Processing & Food Company and Mountain Lodge limited.

Ms. Faith holds a Master of Science Degree in Human Resource Management from the University of Manchester, UK and a Bachelor of Arts degree from the University of Nairobi. She is a certified Executive Coach from the Academy of Executive Coaching, UK. She is a member of the Institute of Human Resource Management (IHRM) and the Kenya Institute of Management</td></tr>
<tr><td>4. Norah Ratemo
</td><td>Director Investments
Ms. Norah Buyaki Ratemo is Director Investments

She has over 13 years' experience in Credit Risk Management. She previously worked at Eco Bank Kenya as a Credit analyst, and before then, she was engaged as Assistant Manager, Securities and Documentation with Sidian bank. She currently serves on the board of Kenya Wines Agencies.

Ms. Nora holds a Master's degree in Business Administration Finance option from Jomo Kenyatta University of Agriculture and Technology and a Bachelor of commerce (Bcom) Accounting option. She is a</td></tr>
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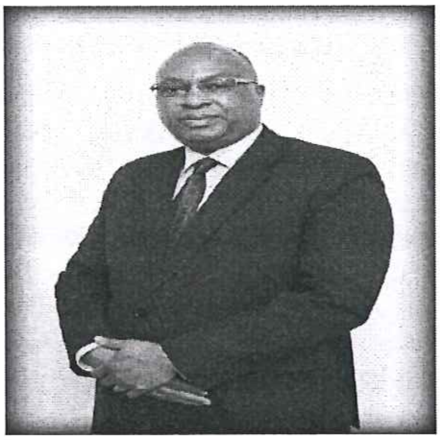
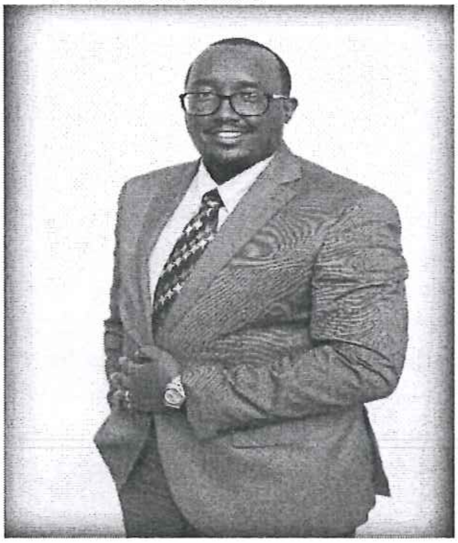
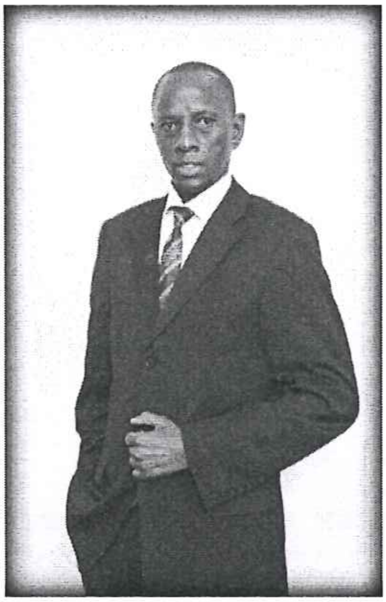
	Certified Public Accountant, CPA (K) and a member of the institute of certified public accountants (ICPAK) and Association of Women Accountants in Kenya. She was appointed the Acting Director General on 12th December 2022.
5. Kennedy M. Wanderi 	**Deputy Director, Finance and Accounts** Kennedy M. Wanderi is the Deputy Director, Finance and Accounts. He has wide experience spanning over 30 years in accounting, financial and investments management as well as strategy formulation and execution gained mostly at ICDC. He served as the Finance Manager at ICDC from May 2014 to June 2021. He also served as the Ag. Investment Manager between April 2019 and August 2020 and previously as the Ag. Executive Director from July 2015 to June 2018. He has served on the Board of Directors of various companies including Centum Investments PLC, Isuzu East Africa Ltd, Almasi Beverages Limited, Kenya Wine Agencies Ltd and Development Bank of Kenya Ltd. He is currently a member of the Board of Directors of Minet Kenya Insurance Brokers Limited and Uchumi Supermarkets Limited. Mr. Kennedy holds a Master of Business Administration degree in Finance and Banking, and a Bachelor of Business Management degree from Moi University. He is a Certified Public Accountant.
6. Mbatha Mbithi	**Deputy Director Partnership & Resource Mobilization.** Ms. Mbatha is the Deputy Director Partnership & Resource Mobilization. Prior to this appointment, she was ICDC's Marketing Manager, a position she held for three years. She previously held the position of Chief Manager Operations in the same institution from 1st September 2009 to 30th June 2017. She has a solid background in Finance, Banking and Investment having worked in middle and

	senior management positions in five commercial banks with her last position being Head of Credit at Family Bank Ltd. She serves on the Boards of International Hotels Kenya Ltd (Hilton Hotel) and Njimia (K) Ltd. Ms. Mbithi is an alumnus of the Strathmore/IESE Business Schools Advanced Management Program 2013. She holds a Master in Business Administration degree in Strategic Management from Moi University and a Bachelor of Science Degree in International Business Administration from the United States International University. Mbatha is a member of the Kenya Institute of Management and the Chartered Institute of Marketers.
7. Caroline Misoi 	**Deputy director, Human Resource and Administration.** Mrs. Misoi is the Deputy director, Human Resource and Administration. She has over 20 years of experience in the Human resources field, serving as an HR Generalist. During this period, she was involved in establishing the Human Resource Department at KCA University, HR Strategic Planning and streamlining all HR functions for the over 350 staff of the organization. She was also involved in Industrial Relations at National Oil Corporation where she served as HR and Administration Manager. Mrs. Misoi is passionate about supporting individuals in the development and self-management of their working and academic lives, both in her professional and private capacity. She is a member of the Board of Management at Chebara Girls' Secondary School, Elgeyo Marakwet County. Mrs. Misoi holds an MBA from the University of Salford in the UK, a Bachelor of Arts degree in Sociology and Literature from Kenyatta University and a Diploma in PR and Personnel Management. She is a full member of the Institute of Human Resource Management (IHRM) and Kenya Institute of Management (KIM).

8. Judith Omachar 	**Deputy Director Business Development and Advisory** Mrs. Judith Omachar is the Deputy Director Business Development and Advisory. She has over 20 years' experience in investments including deal origination, appraisal and portfolio management gained at IDB Capital Limited where she was working as the Manager Credit. Mrs. Omachar holds a Bachelor of Commerce degree (Accounting Option) from the University of Nairobi and is a Certified Public Accountant (CPA-K) and is a member of ICPAK.
9. Richard Limo 	**Deputy Director ICT** Mr. Richard Limo is the Deputy Director ICT. He is a dedicated and professional technology expert with over 10 years of experience in ICT within the Banking and Higher Education sectors. He previously worked as ICT Manager at IDB capital, Lecturer of Information Science, Information Technology and Computer Science at Moi University and the University of Eldoret, Corporate Relationship Manager and Senior credit officer at Corporative Bank of Kenya. Mr. Limo holds an M.Sc. Degree in Information Technology (Business Intelligence) from Strathmore University and a B.Sc. Degree in Information Technology from Jomo Kenyatta University of Agriculture and Technology (JKUAT). He is a professional member at ICTA, CSK and ISACA.
10. Edward Gitau	**Deputy Director, Investments Appraisal & Administration.** Mr. Edward Gitau is the Deputy Director, Investments Appraisal & Administration. He has over 30 years' experience in financial analysis, investment appraisal, enterprise valuations and investment monitoring.

	Mr. Gitau holds a master degree in project management from Kenyatta University and a bachelor's degree in Economics and Statistics from the University of Nairobi. He is a Certified Investments and Financial Analyst (CIFA). He is a professional member at ICIFA
11. Herman Gacugi 	**Manager, Risk Management and Compliance.** Mr. Herman Gacugi is the Manager, Risk Management and Compliance. He has over 15 years' experience in Financial and Commercial Services, with profound involvement in automated processes, e-commerce, corporate governance, enterprise risk management, financial services regulatory and policy frameworks, accounting, external and internal audit processes. Prior to joining KDC, he was the audit manager ICDC. He also served at Davis & Shirtliff as a Management Accountant, supporting its East African subsidiaries and in middle and senior management positions at Chase Bank and Commercial Bank of Africa. Mr. Gacugi holds a Master of Science degree in Information Communications Technology (ICT) from Jomo Kenyatta University of Science and Technology (JKUAT) and a Bachelor of Commerce degree in accounting from Egerton University, he is an Alumni of Strathmore Business School Senior leadership program. He is also a Certified Public Accountant (CPAK) and a Certified Information Systems Auditor (CISA).

<table>
<tr>
<td>12. Dominic Ndewa
</td>
<td>Deputy Director, Strategy, Planning and Performance Management.

Mr. Dominic Ndewa is the Deputy Director, Strategy, Planning and Performance Management.

He has over 25 years of practical experience spanning from public sector to financial and commercial services enterprises. Before joining KDC, he was the Head of Investments at Tourism Finance Corporation (TFC). Prior to joining TFC, he also served at The National Treasury, then Ministry of Finance, as Principal Economist. He has further worked as Counterpart to the Privatization Adviser at Bank Restructuring and Privatization Project, a World Bank Project.

Mr. Ndewa holds a Master's Degree in Economic Policy Management and a Bachelor of Arts Degree in Economics all of them from the University of Nairobi. He is also a Certified Public Accountant (CPAK) and a Certified Investments and Financial Analysts (CIFA) and he is a member of ICPAK and ICIFA. Mr. Ndewa has attended many managerial short-term courses both locally and internationally.</td>
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<tr>
<td>13. Emily N. Simiyu
</td>
<td>Manager, Internal Audit
Ms. Emily N. Simiyu is Manager, Internal Audit.

She previously worked with the Tourism Finance Corporation as Head of Audit. She has over 18 years' working experience in both internal & external audit and banking. Former employers included the Commission on Revenue Allocation, Kenya Investment Authority, Office of Auditor General and Standard Chartered Bank.

Ms. Emily holds an MBA in Finance and a Bachelor of Commerce [Finance] degree from University of Nairobi. She is also a Certified Information Systems Auditor. Professionally she holds CPA-K and CISA qualifications and is also a member of the Institute of Certified Public Accountants of Kenya [ICPAK] and Information Systems Audit and Control Association [ISACA].</td>
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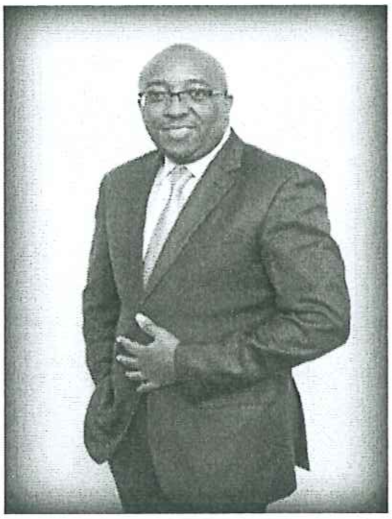
14. Erastus Njoroge 	**Deputy director, Portfolio management** Mr. Erastus is the Deputy director, Portfolio management. He is responsible for managing equities and loans portfolio with a view to maximizing returns and mitigating risks and achieve corporate objectives. Prior to this, he was the Chief of Credit at IDB Capital Ltd where he was in charge of Credit Management. Before joining IDB Capital Ltd, Erastus was a Senior Credit Manager at Equity Bank in Rwanda. He has previously held the roles of Senior Credit Analyst at Housing Finance, Credit Analyst at GT Bank Ltd (Formerly Fina Bank), Relations officer at Afrika Investment bank (AIB) as well as a part time lecturer at various institutions within Nairobi. He is an experienced finance expert with a demonstrated history in the financial services sector. He has hands on experience on Credit Risk Management, Portfolio Management, Relationship Management, Business Development, Credit Analysis and Banking in general. Mr. Erastus holds a Master's degree in Financial Economics as well as a Bachelor's Degree with specialization in Mathematics and Economics. He is a member of the Economist Association of Kenya.
15. John Karia 	**Deputy Director Legal Services** Mr. John Karia is the Deputy Director Legal Services. He is a seasoned legal and governance professional with wide and varied experience gained in the financial services industry and has previously worked for Kenindia Assurance Co. Ltd, Laptrust/CPF Group and Tourism Finance Corporation where he was the Head of Legal Services and Corporation Secretary. Mr. Karia is an Advocate of the High Court of Kenya and a Certified Secretary. He is an active Member of the Law Society of Kenya, the Institute of Certified Public Secretaries of Kenya and an Associate Member of the Chartered Institute of Arbitrators (Kenya Branch). He holds a Master's degree in Law (LLM) from the University of Exeter (UK), a Postgraduate Diploma in

	Law from the Kenya School of Law and a Bachelor of Laws degree (LLB) from University of Nairobi.
16. Anne Gitau 	**Deputy Director Debt Management.** Mrs. Anne Gitau is the Deputy Director Debt Management. She has over 30 years' experience in finance and accounting gained while working at IDB Capital Ltd where she rose through the ranks to the position of Manager Finance and Accounts. She is a holder of a Bachelor of Commerce Degree (Accounting Option) from the University of Nairobi and is a Certified Public Accountant and Secretary, (CPA-K, CPS– K) and is a member of ICPAK
17. Patricia N. Gachungi 	**Manager, Supply Chain Management** Ms. Patricia N. Gachungi is the Manager, Supply Chain Management at Kenya Development Corporation. She has solid experience in Supply Chain Management, with rich knowledge and understanding in Public Procurement and Logistics. Prior to joining KDC, she was the Head of Procurement at Tourism Finance Corporation. Ms. Patricia holds a Master of Science Degree in Procurement and Logistics from the Jomo Kenyatta University of Science and Technology (JKUAT) and a Bachelor of Commerce Degree, Business Administration Option from Strathmore University. She also holds Graduate Diploma from The Chartered Institute of Procurement and Supply, United Kingdom. She is a Fellow of the Chartered Institute of Procurement and Supply (FCIPS-UK) and a Licensed Member of the Kenya Institute of Supplies Management (MKISM).

IV.Report of the Acting Director General

Introduction

Feels me with joy to join the board in presenting this year's financials. When I walked into KDC, I was certain that my job was clearly cut. Laying a strong foundation for the merged entity, leading on culture adjustment, ensuring seamless transition and guaranteeing our stakeholders of minimum business disruptions were key on my agenda.

Transition

Am pleased to inform you that the transition period has effectively been completed and focus now is heavy on ensuring that the institution retains a sharp trajectory

Resource mobilization

To achieve her objects and in line with the key aspirations of enhancing social economic growth to various demographics in the country, KDC concentrated in livestock value chain. To be effective, the corporation has since mobilized Ksh 4.4 Billion from World Bank. The fund will be rolled out in 2022/2023 financial year targeting various actors within value chain.

In addition to that, the corporation continues to absorb the initially resourced line of credit from India. The line, principally set aside to support technological transfer, as seek a number of Kenyan SMEs acquire machinery from India with unmatched terms.

Internal processes

Coming from different orientations, the huge tasks was to integrate systems, an exercise am pleased to inform you that is now completed. It's said bad culture eats strategy for breakfast. To avert that risk, KDC has endeavoured to have her own KDC WAY culture; a culture that is premised on Agility, Creativity, Oneness, Integrity and Customer Focus.

As target customer personas evolves, a primary barometer of our customer experience will be how we will deliver experiences and service that meet their evolving needs with empathy, care and concern. As an institution, we will continue to position ourselves at the forefront of the longer-term shifts in consumer behaviour. Keeping a real-time pulse on changing customer preferences and rapidly innovating to redesign journeys that matter to a quite different context will lead us through the revolving terrain.

Moving forward, we underline our resolve to remain true to our values and KDCs purpose, meet our customers where they are through digital delivery and building of agile capabilities for fluid times.

Procurement disclosure

KDC has strictly complied with the legal framework governing procurement processes in Kenya including the Public Procurement and Assets Disposal Act (2015), Supplies Management Practitioners Act (2007) and other government directives. As at 30 June 2022, KDC did not have pending bills outside the acceptable credit period.

Looking ahead

As new Government settles in, KDC will endeavour to revise her strategic intent to reflect the manifesto of new administration. We have since tasked the strategy directorate to look at the said manifesto and ensure it aligns with strategic plan. As KDC, we look forward to being a key policy tool of the government in making deliberate efforts on lowering cost of living, indirect price triggers, ensuring available market for the local produce and creation of jobs through targeted financing. I look forward to leading the corporation in this interesting phase.

Conclusion

I would like to appreciate the leadership role played by our Chairman and Board of Directors. My appreciation is also to the management and staff who worked tirelessly, with vigour and enthusiasm, to deliver solid performance and unwavering determination to steer our business through a transition period.

Thank you and God Bless You.

Norah Ratemo

Acting Director General
Kenya Development Corporation

V.Statement of Performance against Predetermined Objectives for FY 2021-2022

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives. KDC has 5 strategic pillars within the current Strategic Plan for the FY 2021-22 - FY 2023-24. These strategic pillars are as follows:

Pillar 1 : Financial Performance

Pillar 2 : Capital Stewardship

Pillar 3 : Operational Excellence

Pillar 4 : Partnerships Engagement

Pillar 5 : Organizational Capability

Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Corporation achieved its performance targets set for the FY 2021-2022 period for its 5 strategic pillars, as indicated in the diagram below:

KRA	OBJECTIVE	TARGET	ACHIEVEMENT STATUS
Financial performance	Diversify and grow sustainable revenue streams	• Growing revenue to Ksh 2.61 Billion	• Achieved revenue collections of Ksh 1.85Billion
		• Disburse Ksh 4.47 Billion	• Disbursed Ksh 1.8 Billion
	Develop prudent cost management approach	• Developed zero based budget	• Zero based budget developed
		• Ensure that procurement is done with much care taken on the market prices.	• Implemented
		• Develop cost management framework	• Developed
		• Achieve Pre-Tax Profits 288Million	• Achieved pre-tax profit of Ksh 1,004M
		• Dividend TNT –Ksh 10.538 Million	• Issued Ksh 10.538m Dividends to TNT
		• Return on Investment of 1%	• Achieved 2.7%

	Mobilize financial resource	• Mobilize Ksh	• Raised Ksh 4.4Billion
	Enhance effective portfolio management	• Improvement of PAR to 50% from the initial 77% as at 1st July 2021.	• Attained 65%
Capital stewardship	Create and maintain quality assets	• Develop turnaround strategies for 3 investee companies	• Developed strategies for 7 investee companies
		• Collect Ksh 434 M from dividends	• Collected Ksh 662m
	Enhance income from idle and or undeveloped assets	• Identify 1 idle assets and develop an income enhancement strategy.	• Developed. Implementation scheduled for 2022/23
Operational excellence	Adopt efficient and effective processes	• Develop customer centric SOPs	• Developed
		• Engage A brand consultant	• Brand consultant engaged
	Embrace effective ERM	• Develop enterprise risk management framework	• Developed and institutionalized.
		• Develop Legal and corporate governance framework.	• Developed, approved and institutionalized.
	Improve technology capabilities and infrastructure	• Document System gap analysis and develop a closure plan.	• Documented and closure plan developed.
		• Automation of key processes	• Dashboards developed

Partnerships Engagement	Establish institutional partnerships and collaborations	• Establish key strategic partners	• Established key strategic partners namely; the standard group, Kakamega county Government and KAM
Organizational Capability	Attract, develop, and retain staff	• Identify training gaps and close them through training	• Training gaps identified and 65% closed
	Develop a high-performance culture	• Institutionalize performance-based incentive	• Staff performance management policy approved
	Embrace research, creativity, and innovation culture	• Institutionalize research culture	• Institutionalized

VI.Chairman's Statement

I am delighted to present to you our first Company's Annual Report and Financial Statements for the 2021/2022 financial year. Coming from a transition period post-merger, I would like to sincerely thank the Government through the National Treasury, my colleagues in the Board, KDC leadership team and the entire staff for the seamless transition.

We started our operations when globally, financial entities were and still remains at a make-or-break moment. Covid-19 pandemic and Russia-Ukraine conflict remains to be the ultimate gut punch, testing financial institutions' resilience in unforeseen ways. Positively to note though, is that financial institutions have started recording impressive performance, giving the industry confidence that it can overcome almost any challenge that comes their way.

During the containment period, Small, Medium and Large Enterprises (SMLEs) bore the brunt of the heavy cost of emergency regulations that the Government of Kenya had put in place to flatten the curve of the disease. Restriction of the Kenya airspace also heavily affected tourism as well as the flow of imports and exports that are the lifeline of SMEs. The impact of all these economic shocks has been so brutal that full recovery is projected to stretch further than initially anticipated. Globally, due to Covid- 19 and Russia- Ukraine conflict factors, the economy is still reeling and we are now facing a gloomy and uncertain outlook. Global output growth has been revised downwards by IMF to 3.2% this year and 2.9% next year, while inflation has been revised upwards to 6.6% in advanced economies and 9.5% in emerging and developing economies. IMF notes that Kenya's economy has rebounded strongly in a challenging environment and is projected to grow 5.7 percent in 2022.

It's said if you want to get something right, get it right the first time. It is in this background, that the board has reactivated her energy in ensuring that KDC has a foundation that will be strong as it undertakes her mandate. Whilst still at it, we have witnessed tremendous financial performance that projects to a better and impactful KDC in the future. During the year;

- We disbursed Ksh. 1.4Billion to various qualified medium and large enterprises
- Paid Ksh.10.5m as dividends to the National Treasury
- We maximized shareholders wealth by having a return on investment of 2.64%

In line with our mandate and strategy, we are committed to assist in cushioning SMEs from the negative impact of the Covid-19 pandemic and global conflicts. We have made significant decisions in the past few months to ensure that SMEs remain afloat and return to normal. These interventions include; accepting requests from existing clients on moratorium extension, loan repayment holiday and restructuring of their facilities.

Moving forward, we remain steadfast in delivering on our strategy and the Board will continue to support management as they adjust business plans to cope with the changes in the operating environment. As KDC family, we are resolute in our belief that we have a unique opportunity to deepen our support to Kenya's economic growth.

Thank you.

Michael Nyachae

Chairman – Board of Directors
Kenya Development Corporation

VII. Corporate Governance Statement

I. **Introduction:** KDC has adopted high standards and applies strict rules of conduct, based on the best corporate practices. As part of this commitment, the Board of Directors adheres to good corporate governance by embracing the following principles:

i. Observing high standards of ethical and moral behaviour;
ii. Upholding personal integrity and honesty;
iii. Acting in the best interests of KDC in compliance with the Constitution, and all applicable laws;
iv. Promoting industrial and economic growth in Kenya fairly and responsibly;
v. Recognizing the legitimate interests of all stakeholders through participation in policy making, resource allocation and access to public funds; and
vi. Ensuring that KDC acts as a good corporate citizen.

Board members have committed to act in the best interest of the organization and uphold their fiduciary responsibilities and duty of care. They are expected to act honestly and in good faith so as to create a culture built on principles of integrity, accountability and transparency. As a state Corporation, KDC regards good corporate governance a primary tenet of good performance. In this regard, our operations are undertaken in cognizance of regulations and statutory requirements necessary to put us in good stead with our stakeholders. Our operations are driven by the desire to maximize shareholder value while safeguarding the rights and interests of all stakeholders. The culture of good corporate governance permeates all levels of the Corporation starting with the Board of Directors. This has led to the continued success of the Corporation.

II. **Board of Directors:** The Board as the custodian of the Corporation's resources recognizes its responsibility of providing leadership, strategic direction and control and is accountable to all stakeholders. The Board oversees risk management, is responsible for investment decisions and ensures compliance with relevant laws and regulations. The Board has adopted and continues to adhere to Mwongozo, Code of Governance for State Corporations so as to deliver value to Kenyans in a transparent and accountable manner.

III. **Board Appointments and Composition:** The KDC Board is diverse in its composition, independent but flexible, pragmatic, objective and focused on balanced and sustainable performance of the organization.

1. **Size of the Board:** The Board has a minimum of seven (7) members and a maximum of nine (9) members.

2. **Board Composition:** The Board ensures that:
   a) Its composition complies with requirements in the Constitution of Kenya and any applicable legislation;
   b) Its members can act independently;
   c) Each Board Member understands the broad outline of the organization's policies;
   d) Each Board Member is in good standing professionally and has sufficient expertise to perform his or her role as a Board member; and
   e) At least one Member is a financial expert, meaning that he or she has the necessary qualifications and expertise in financial management and accounting and is a bonafide member of a professional body regulating the Accountancy profession.

3. **Appointment of Board Members:** The Cabinet Secretary, National Treasury appoints Board Members. The Chairman is appointed by the president of the republic. Every appointment is done by name and by notice in the Kenya Gazette. Appointments cease if a member:
   (a) Serves the appointing authority with a written notice of resignation; or
   (b) Is absent, without the permission of the Chairperson, from three consecutive meetings; or
   (c) Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding twenty thousand shillings; or
   (d) Is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board; or
   (e) Conducts himself in a manner deemed by the appointing authority to be inconsistent with membership of the Board.
   (f) Any removal of a Board Member under (i) above, shall be through formal revocation.
   (g) The Corporation Secretary ensures that a record of the appointment letters, gazette notice and written acceptance by the Board member are kept in the personal file of the Board member.

4. **Independence of Board Members:** All Board members, including those nominated by stakeholders recognize that they owe their duties to KDC and not their nominating stakeholder. At least one third of the Board members are independent upon appointment and maintain their independence during their term of service on the Board.

5. **Term Limits:** Board Members hold office for a period not exceeding three (3) years, and are eligible for reappointment for one more term not exceeding three (3) years. A Board member may be appointed for a cumulative term not exceeding six (6) years. The

renewal of a Board Member's tenure for a second term is subject to an acceptable evaluation as determined during Board performance evaluations.

6. **Resignation from the Board:** A Board Member may resign at any time by giving notice, in writing, to the appointing authority, copied to the Chairperson of the Board and the CEO of KDC. The resignation shall take effect upon receipt of notice by the appointing authority or at any later time specified therein; and unless otherwise specified in the notice, the acceptance of such resignation shall not be necessary to make it effective.

IV. **Board Meetings:** The Board meets quarterly, with additional meetings convened as and when necessary with the approval of State Corporations Advisory Committee (SCAC). The established Board Committees hold meetings quarterly with special meetings convened as and when necessary to effectively discharge their functions.

V. **Board Evaluation:** The Board undertakes annual self-assessment and evaluation under the guidance of the State Corporations Advisory Committee (SCAC) in order to improve the internal governance of the Board and its Committees. The Board undertook the Self Board Evaluation for the Financial Year 2021/2022 and attained a Corporate Board Performance Score of 91.5%. The Board has put in place a performance improvement program to ensure continuous improvement in performance.

VI. **Committees of the Board:** To effectively discharge its mandate, the Board has established the following three (3) Committees with specific terms of reference set out in each Committee's Charter:

i) **Board Risk and Audit Committee:**

The Committee assists the Board in fulfilling its oversight responsibility relating to the integrity of the Corporation's financial statements, financial reporting process, systems of accounting and financial controls. The Committee ensures that the Corporation has effective systems and processes of accountability and risk management. Specifically, the responsibilities of the Committee are the examination and evaluation of adequacy and effectiveness of internal control systems on various operations and activities of the Corporation, the review of the management and financial information systems, including the electronic information system, the review of the accuracy and reliability of the Corporation's accounting records and financial reports and the evaluation of adherence to legal and regulatory requirements and to the approved Corporation's policies and procedures.

ii) Human Resource, Governance and General Purposes Committee:

The Human Resource, Governance and General Purposes Committee addresses issues pertaining to staff welfare, corporate communications, governance and stakeholder management. Specifically, the responsibilities of the Committee are to review and make recommendations to the Board on the appropriate Corporation structure, HR plan and policies, oversee and make recommendations to the Board on succession planning and related development needs and plans, regularly review the appropriateness and relevance of the remuneration policy to ensure that the policies and practices applicable to all staff facilitate the recruitment, retention and attraction of talent with the required calibre and skills sets, receive information on internal and external trends in remuneration and benefits, including where necessary commissioning any reports or surveys aimed at establishing Corporation's market position or exploring particular aspects of remuneration, review and make recommendations to the Board appropriate corporate governance policies for implementation, review and make appropriate recommendations on the Corporation's and the Boards Code of Ethics and Conduct to the Board and developing, reviewing and monitoring effective implementation of the Corporations communications strategy.

iii) Finance and Investment Committee:

The Investments, Finance and Strategy Committee is responsible for overseeing the investment of Corporation's funds, formulate investment policies, strategies and assist the Board in matters pertaining to finance and investments, review interim financial reports and other functions as may be delegated by the Board. The Committee exercises oversight over implementation of the investment's strategy. Specifically, the responsibilities of the Committee are to recommend policies that maintain and improve the financial health and integrity of the Corporation, review and recommend a long-range financial plan for the Corporation, review and recommend annual operating and capital budgets consistent with the long-range financial plan and policies, review the financial aspects of major proposed transactions, new products and services, as well as proposals to discontinue products or services, and making action recommendations to the Board, monitor the financial performance of the Corporation as a whole and its major subsidiary organizations or business lines against approved budgets, long-term trends, and industry benchmarks and oversee the Corporation's integration planning process for investment, acquisition, enterprise services, and joint venture and divestiture transactions.

VIII.Management Discussion and Analysis

1.0 Introduction

The Kenya Development Corporation was incorporated on 20th November 2020 to merge the operations of ICDC, TFC and IDB Capital and it started operations on 1st July 2021. The Corporation has therefore operated for a full financial year and has prepared its annual report and financial statements for the period 2021-2022 for submission to the Office of the Auditor General for audit.

2.0 Summary of the financial performance of KDC for the period ended 30th June, 2022

1) Statement of Comprehensive Income

The Corporation realized a gross income of Ksh2.6 billion during the financial period 2021-2022 against a budget of Ksh1.76 billion and compared to the combined revenue of the three former entities of Ksh1.9 billion for 2021-2. Total expenditure on the other hand amounted to Ksh1.6 billion against a budget of Ksh1.4 billion giving rise to income before tax of Ksh1.0 billion against a budgeted profit before tax of Ksh281million.

Revenue

The breakdown of the revenue from the various sources is as indicated below.

Revenue Source	**Actual 2021-22**	**Budget 2021-22**	**Consolidated 2020-21**
	Ksh	Ksh	Ksh
Dividend income	662,849,493	440,481,262	570,702,883
Interest on loans	360,526,028	736,258,222	445,376,745
Rental income	416,184,069	348,299,894	427,043,750
Interest on deposits	202,410,097	68,931,230	86,596,321
Un-realized gains on revaluation of investment property	906,575,754	-	108,929,000
Other incomes	83,599,919	169,421,668	275,894,743
Total Income	**2,632,145,360**	**1,763,392,276**	**1,914,543,442**

a) **Dividend Income**
The dividend income was derived from the below noted six companies
Almasi, Isuzu and Minet paid higher dividends than budgeted due to exceptional performance recorded during the period compared to previous periods. Centum's performance declined significantly compared to previous periods but it is expected to improve during the current financial year.

Company	Actual 2021-22	Budget 2021-22	Consolidated 2020-21
	Ksh	Ksh	Ksh
Almasi Beverages Limited	218,323,235	140,000,000	139,085,913
Centum Investments PLC	50,439,806	49,981,262	183,417,476
Isuzu East Africa Limited	202,679,194	150,000,000	150,770,328
Minet Kenya Ins Brokers	190,605,087	100,500,000	96,766,683
Afrexim Bank	802,171	-	-
Total Income	**662,849,493**	**440,481,262**	**570,702,883**

b) **Interest on Loans**
Ksh.361million was earned as interest on loans compared to a budget of Ksh736 million. The budgeted interest was based on a projected new lending of Ksh4.7 billion which could not be realized due to various factors including absorption capacity and unrealized new funding. A review of the projected interest earnings will be undertaken in the second quarter considering the prevailing circumstances.

c) **Rental Income.**

Rental income from the Corporations three office blocks forms a significant portion of its revenue streams. Ksh416 million was earned compared to a budget of Ksh.348 million. The higher earnings were mainly due to rent earned from Finance House in the third and fourth quarter while it had been budgeted for disposal during the third quarter.

d) **Interest on Deposits**

Interest on short term deposits realized Ksh203m while Ksh69m had been budgeted with the higher turnout being attributed to a higher level of cash balances during the period mainly due to a lower level of loan disbursement.

e) **Un-realized gains on Investment Property**

During the period the Corporation revalued its investment property including Uchumi House, Utalii House, Finance House, Eldoret Plot, Hilton plot and Mombasa Island plot in line with the requirements of IAS 40. The new valuation of the properties resulted in an increase in value of Ksh906 million which has been accounted for through the profit or loss account as required by the standard. The revaluation gain was not foreseen and had not been factored in the budget.

f) **Other Incomes**
Other incomes include sales from apartments in Mombasa, appraisal fees, Advisory services and write-backs on provisions. Theses had been budgeted at Ksh169m while Ksh84m was realized.

i. **Expenditure**

Total expenditure amounted to Ksh1.6 billion and can be analyzed as indicated here below.

Expenditure Item	Actual 2021-22	Budget 2021-22	Consolidated 2020-21
	Ksh	Ksh	Ksh
Staff Costs	503,439,384	640,427,204	448,927,932
Administrative	343,786,614	638,391,617	400,439,902
Cost of Investment	51,500,000	-	103,000,000
Finance Charges	44,738,922	53,213,247	36,712,061
Provision for losses	684,401,173	145,798,082	267,200,446
Total Expenditure	**1,627,866,094**	**1,477,830,150**	**1,256,280,341**

a) **Staff Costs**
Staff costs were budgeted at Ksh640 million while an amount of Ksh503 million was incurred with the lower level of expenditure being attributed mainly to positions in the structure remaining vacant while there had been plans to fill them.

b) **Administrative Costs**
An amount of Ksh638million had been budgeted for administrative costs while Ksh344million was incurred compared to Ksh400million incurred by the three former entities in 2020-21. The lower level of expenditure resulted mainly from lower publicity and communication, research and feasibility studies, professional fees and depreciation costs. The costs were also lower than the consolidated costs for the three former entities signifying greater efficiencies arising from the merger.

c) **Cost of Investment Property Sold**
This item represents the cost of the apartments in Mombasa that were sold during the period. The item had not been included in the budget.

d) **Finance Charges**
A finance charge of Ksh44m was incurred during the period against a budget of Ksh53million with the lower charge being attributable to a lower drawdown of the Exim Bank of India Line of Credit.

e) **Provision for Losses.**
An amount of Ksh145 million had been budgeted as provision for losses on loans while an amount of Ksh684million has been charged on provisions for loans and investments that are impaired. A review of the loan book is being undertaken by EY, the consultants engaged to review the adequacy of the provisions in line with the requirements of IFRS9. The final provision may differ after the assessment.

2) **Statement of Financial Position.**

	Actual 2021-22	Budget 2021-22	Consolidated 2020-21
Assets	**Ksh**	**Ksh**	**Ksh**
Equity Investments	19,803,742,047	17,841,262,341	17,888,633,365
Loans	5,136,784,050	9,640,665,261	4,854,340,466
Investment Property	8,132,017,094	5,873,343,017	7,274,083,216
Property Plant & Equipment	204,976,736	345,586,668	150,155,587
Intangible Assets	23,098,473	32,408,089	23,593,583
Inventory	3,597,609	2,766,473	2,193,700
Debtors	821,561,006	1,952,198,143	1,720,872,882
Cash and Bank Balance	3,154,516,427	497,783,676	2,527,831,242
Total Assets	**37,280,293,441**	**36,186,013,668**	**34,441,704,042**
FINANCED BY:			
Equity and Liabilities			
Capital & Reserves	35,509,809,192	32,862,772,303	32,518,183,042
GOK & External Loans	1,356,220,179	2,209,230,247	1,368,129,539
Creditors	414,264,070	1,114,011,118	555,391,460
Total Equity & Liabilities	**37,280,293,441**	**36,186,013,668**	**34,441,704,042**

	2021-22	2020-21	2019-20
	Ksh.	**Ksh.**	**Ksh.**
Total Income	2,632,145,360	1,914,543,443	1,589,626,678
Total Expenses	1,627,866,094	1,256,280,341	1,107,892,227

Operating Profit (Loss) before tax	1,004,279,266	658,263,102	478,734,457
Total Assets	**37,280,293,443**	**34,094,528,195**	**34,441,704,042**
Movement in Revenue	38%	20%	
Movement in expenditure	30%	13%	
Movement in Assets	8%	5%	
Return on Assets	2.64%	1.91%	1.73%

The above table gives an analysis of the financial performance of KDC for the FY 2021-22 and that of the three former entities which merged to form KDC, these being ICDC, TFC and IDB Capital for the last two years prior to the merger.

Revenue

Gross revenue increased by 38% in the first year of merger over the combined revenue of the three former entities for the FY 2020-21. The key driver for the revenue increase was growth in dividend income from investee companies and revaluation gains on the investment property. Future growth in revenue is largely expected to come growth of interest on loans.

Expenditure

Operating expenditure increased by 30% during the first year of merger over the combined expenditure in FY 2020-21. The main driver for the increase is provision for losses for impaired loans as the Corporation moves to align its loans provisioning with the requirements of IFRS 9. Future loans provisions are expected to be significantly lower as the Corporation steps up its management of problematic loan accounts.

Assets.

The total assets held by the Corporation increased by 8% to Ksh37.3 billion over the combined pre-merger asset base of Ksh34 billion. The increase was driven mainly by revaluation gains on investment property.

Key Projects

During the period under review, the KDC continued to implement the Post Covid-19 Economic Stimulus Program on behalf of the Government. The Government availed a financial package of Ksh2.2 billion to the former TFC for disbursement to eligible establishments in the hospitality

industry to help them cope with the adverse effects of the Covid-19 pandemic. KDC disbursed a total of Ksh.855million to over forty establishments.
The Corporation also continued to implement the Line of Credit from Exim Bank of India and a total of Ksh34 million was disbursed to various projects in the manufacturing and Agro-processing sectors.
Various projects were also supported with own generated funds to the tune of Ksh572 million.

Compliance with Statutory Requirements
The Corporation complied with all statutory requirements during the period including filling and paying all statutory dues and obligations.

IX. Environmental and Sustainability Reporting

1. Introduction.

Sustainable Development. *Meeting our own needs without compromising the ability of future generations to meet their own needs.*

Kenya Development Corporation (KDC) is committed to implementing strategies that result to sustainable profitability with positive impact to the human, social, economic and environmental capital. This is epitomized in our mission, *"To catalyse sustainable socio-economic development by providing financial support and advisory services in select sectors".*

The commitment to implement various activities to achieve the mission provides detailed linkage to ultimate compliance with the UN Sustainable Development Goals and the requirements by The National Government master plan detailed in the medium-term paper three (MTP III).

A key objective of MTP III is to implement policies, programmes and projects that will facilitate the attainment of the 17 SDGs. All Ministries, Counties, Departments and Agencies (MCDAs) will be expected to report on the relevant monitoring indicators identified by the Kenya National Bureau of Statistics (KNBS) out of the 230 Global Indicators.

2. Sustainability Strategy and Profile

2.1 KDC Strategy Alignment with National and Sustainable Goals.

To achieve the strategic objectives, the corporation focuses on eight (8) key sectors out of the sixteen (16) Government priority sectors. These identified sectors are manufacturing; blue economy; climate change; post-harvest management; tourism; climate change; health; energy; and ICT. KDC, therefore, plays an important role in addressing critical gaps for long-term funding that cannot be met by commercial banks in some target sectors.

KDC has developed a detailed strategic plan, investment strategy and policy outlining the specific measures to be taken to achieve the business goals and anchor an evaluation, implementation and monitoring process while engaging in various business transactions as per the target sectors. These processes provide the basis of sustainability assessment and continuous improvement.

Table 1.0. The KDC focus sectors Linkage with Sustainable Development Goals.

- **Manufacturing** – SDGs 1 (No poverty); 8 (Decent work and economic Growth); 12 (Responsible consumption and production)
- **Infrastructure** – SDGs 6 (Clean water and sanitation); 11 (Sustainable cities and communities)
- **Tourism**- SDG 8 (Decent work and economic growth)
- **Health** SDG – 3(Good health and well being); 6 (Clean water and sanitation)
- **Energy** – SDG 7 (Affordable and clean energy)
- **Digital Economy** -SDG 9 (Industry, innovation & infrastructure)
- **Climate Change** – SDG 13 (Climate action)
- **Blue Economy** – SDG 1 (No poverty); 14(Life below water)
- SDG 17 - Partnerships for the Goals

3. **Environmental Performance.**

   i) **KDC Environment, Social and Governance Framework.**

The Corporation core business is intertwined with Environmental, Social and Governance (ESG) concerns, therefore a strong ESG proposition that creates value has been embedded in our core business processes and procedures. Through a strong Environmental, Social and Governance (ESG) framework, the Corporation works with its stakeholders to incorporate ESG tenets into their investment approach.

The ESG framework has established a screening/assessment process that helps in identifying stakeholders that have built sound environmental practices, strong social responsibility doctrines, and ethical governance initiatives into their corporate policies and business operations.

The framework focuses on the following aspects;

   ii) **Environmental.**

Aligned with the deliberate focus on preservation of natural capital, protecting the natural habitat & climate from pollution and impact of climate change; The framework provides a guideline for consideration during investment choices outlining main areas that should guide inclusion, mitigation or exclusion in our business activities. The issues are diverse but the main areas are:

a) Factors contributing to climate change.
b) Efficient energy consumption/production.
c) Responsible disposal of hazardous waste/recycling mechanisms.
d) Sustainability of natural resources/extraction of raw materials.
e) The impact of climate change on businesses and business with impact to the climate.

iii) Social.

The framework details the requirement to ensure Inclusion, diversity and equality both for KDC staff and to the society through the stakeholders' engagement. The considerations in relation to the way in which businesses operate can generate competitive advantage and increasing commercial benefits for businesses which have inclusive, diverse work ethics and practices.

The Economic focus on maintaining and growing capital through efficient utilisation of assets, maintaining profitability over time and positive social economic impact to the society. The approach incorporates the desire to assess the impact a company has on its employees, local communities and society.

The main areas of consideration are:

a) Preservation of human rights and avoidance of any complicity in human rights abuses.
b) Equality and diversity amongst employees.
c) Non-discriminatory employment practices.
d) Ensuring there is no exploitation of child labor or indentured servitude.
e) Health and safety.
f) Improving the quality of life.
g) Equal distribution of services and opportunities.
h) Animal welfare.

iv) Governance.

Covers the rights and responsibilities of the management in a stakeholders' entity, its structures, corporate values and accountability processes. This relates to the following areas:

a) Management structure.
b) Power balance between the CEO and Board, separation of Chairman from CEO, appropriate checks and balances for members of the management team.
c) Employee relations and workplace grievances.
d) Corporate Codes of Conduct.

4. KDC Investment Policy.

The policy outlines sustainability focusses where Corporation's investments shall be undertaken to fulfil the mandate of promoting sustainable national economic development in line with the development priorities identified from time to time by the government. Therefore, the primary objectives of KDC's investment activities linked to sustainable development are:

a) Empower communities by promoting entrepreneurship, job and wealth creation through creation of industries throughout the country.
b) Support initiatives aligned to SDG goals.
c) Promote environmental sustainability and consider climate change adaptation mechanisms.
d) Social economic impact.

5. Employee Welfare.

Aligned with SDG No 8. (Employee Involvement – decent work, economic growth & employee involvement).

To guarantee fairness in the recruitment process, the Corporation has approved Human Resources Manual and Career Guidelines. These guidelines coupled with specific job descriptions and open recruitment system, checks and balances mechanism ensure a free and fair recruitment and remuneration processes.

To improve staff social and economic welfare, a detailed training program has been implemented to ensure continuous capacity enhancement and a robust health insurance scheme in place. For economic empowerment and life safeguard, the corporation has implemented various financial benefit schemes aligned with public service and salaries and remuneration commission guidelines.

To drive sustainable operations and performance, the corporation has an annual performance management plan, that is reviewed and reported periodically. This is also supported by a rewards and sanctions policy that enumerates causes for action and inaction.

To warranty Health and Safety, the corporation has a detailed mechanism to ensure compliance with Occupational Safety and Health Act of 2007, (OSHA), this has been implemented both at office design, internal operations and periodic sensitization to relevant stakeholders.

6. Market Stewardship.

These are the targeted sustainable initiatives to stakeholders to ensure responsible competition, supply chain and supplier relations, marketing and advertisement and product stewardship.

i) Responsible Competition.

Through a structured business development and advisory strategy, the Corporation has a clear evaluation criterion that enables open and fair market engagement. The material disclosures and publications through the website, brochures, open stakeholders' engagement workshops, internal business idea/proposal review and disclosure on pricing entrenches responsible and accountable competition.

ii) Responsible Supply chain and Supplier Relations.

Our Supply chain and supplier relationships are anchored in the procurement policy and procedure manual, these governance documents are aligned with the Public Procurement and Asset Disposal Act of 2015 and regulations 2020. The prequalification of suppliers, open tendering system, transparent tender evaluation, contract monitoring and evaluation systems provides an open, reliable and sustainable suppliers engagement and relationship. This drives value for money procurement, cost management and compliance.

iii) Responsible Marketing and Advertisement.

To guarantee fair access to information by our stakeholders, the corporation relies on public platforms both print and digital media. In addition, the corporation participates in open public forums, workshops and various partnerships where the mandate, product and investment options are shared. The corporation does not have preferential customers or stakeholders as its key focus is social and economic transformation in Kenya and Elsewhere.

iv) Product Stewardship.

The investment policy and implementation procedures have defined a clear selection criterion, defining sectors, products or areas where the corporation shall not engage in as they are deemed to have negative impact to the sustainable development goals. These are: -

a) Arms manufacture and distribution or military related activities;
b) Casinos, nightclubs, gambling resorts, betting companies and brothels or escort services;
c) Manufacture of illicit alcoholic beverages, cigarettes and any other intoxicants;
d) Any other business prohibited by law or World Bank environment and social governance policies.

7. Continuous Improvement.

KDC has been in operations for one financial year and it is fully committed to sustainable development as a lifetime commitment and not an event. We have partnered with African [Association of African Development Institutions (AADFI)] and Global institutions [European Organization for Sustainable Development (ESOD)] & [World Bank] to leverage on global experiences, information sharing and standardization of strategies, policies, processes and specific activities to achieve global accreditation, drive and champion sustainable development.

X. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the Corporation's affairs.

i) Principal activities

The principal activity of Kenya Development Corporation is to promote sustainable socio-economic development by providing development finance, infrastructure finance, business support and advisory services to medium and large-scale industries, infrastructure projects and commercial undertakings in target sectors.

ii) Results

The results of the entity for the year ended June 30, 2022, are set out on page 1. Below is summary of the profit or loss made during the year.

Performance ratios	**2022**	**2021**
Operating profit %	38%	34%
Profit before income tax (Shs'000)	1,004,279	658,263
Return on assets	2.69%	1.73%
Net assets (Shs'000)	35,525,554	32,518,183

iii) Dividends

The Corporation paid a first and final divided of Ksh.10,538,000 for the period 2021-2022 on 30th June 2022.

iv) Directors

The members of the Board of Directors who served during the year are shown on page V. No director was due to retire or for re-election during the period.

v) Auditors

The Office of Auditor General will carry out the audit of the Kenya Development Corporation for the year/period ended June 30, 2022.

By Order of the Board

....

Grace Magunga
Corporation Secretary/Secretary to the Board
Date: 13th March 2023

XI.Statement of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012 and (*section 14 of the State Corporations Act, and section 635 and 636 of the Companies Act 2015* require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the Kenya Development Corporation at the end of the financial year/period and the operating results of the Kenya Development Corporation for that year/period. The Directors are also required to ensure that the Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the Corporation.

The Directors are responsible for the preparation and presentation of the Kenya Development Corporation's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2022. 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 *entity*, (v) selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Kenya Development 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, 2012, the State Corporations Act and the Companies Act 2015.

Statement of Directors' Responsibilities (Continued)

The Directors are of the opinion that the Kenya Development Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2022, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Kenya Development Corporation which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that 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 Kenya Development Corporation's financial statements were approved by the Board on 28/09/ 2022 and signed on its behalf by:

....	....
Michael Nyachae	**Norah Ratemo**
Chairperson of the Board	**Acting Director General**

XII.Report of the Independent Auditors on Kenya Development Corporation

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations which have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Development Corporation (KDC) set out on pages 1 to 55, which comprise of the statement of financial position as at 30 June, 2022, and the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Development Corporation as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Kenya Development Corporation Limited (Vesting) Order, 2021.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Development Corporation Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

High Ratio of Non-Performing Loans Portfolio

I draw attention to Note 43 to the financial statements, which reflects long term receivables balance of Kshs.5,136,784,050 relating to loans and advances by the Corporation to borrowers as at 30 June, 2022. The respective loan records indicated that approximately Kshs.33,280,489,417 or 87% of the Corporation's total loans portfolio estimated at Kshs.38,417,273,467 as at 30 June, 2022 was considered by Management as non-recoverable. Further, the Corporation has stopped accrual of interest on the loans in line with the in duplum rule which requires that interest accrued should not exceed the principal amount outstanding when the loan becomes non-performing. In addition, the securities related to some of the old non-performing loans being borrowers' ancestral lands, were reported to be missing, impaired, or irredeemable.

The Board of Directors has approved full provision for the losses totaling Kshs.33,280,489,417 against the Corporation's reserves as required by International Financial Reporting Standard No.9. However, the high ratio of non-performing loans portfolio indicates that the Corporation is unable to recover most loans owed by its customers. As a result, the Corporation's capacity to lend to new borrowers and eventually attain its purpose and mandate may be constrained.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters which, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Impairment of Inventory – Investment in Property (IP)

Review of the Corporation's inventory of investments in properties indicates that during the year 2020-2021, the Board of Directors revised downwards the sale prices for one of its housing projects with a view to increasing demand for the units. As at 30 June, 2022, the number of unsold apartments was 8 (out of 28) and 24 (out of 36) for the Zamia Heights Apartments and Oceania Apartments respectively. This is despite completion of the apartments in July, 2015 (Zamia) and 2018 (Oceania). The Corporation therefore incurs annual maintenance costs of approximately Kshs.10 million for both locations. The value recognized by the Corporation as at year end is Kshs.145,000,000 and Kshs.450,000,000 for the Zamia and Oceania Apartments respectively both totalling Kshs.595,000,000.

In the circumstances, the inventory held by Corporation is possibly impaired based on the slow uptake of the apartments during the year under review. The possible amount of impairment has been taken into account in these financial statements.

Other Information

The Directors are responsible for the other information, which comprises the Chairman's Report, Executive Director's Report, statement of performance against predetermined objectives, corporate governance statement, Management discussion and analysis, environmental and sustainability report, Report of Directors, and statement of Directors' responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on the 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, adequate accounting records have been kept by the Corporation, so far as appears from the examination of those records; and,

iii. The Corporation's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements which are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of an intention to liquidate the Corporation or to cease operations.

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

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

The Board of Directors is responsible for overseeing the Corporation's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence which is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Corporation to express an opinion on the financial statements.
- Perform such other procedures, as I consider necessary in the circumstances.

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 April, 2023

XIII.Statement of Profit or Loss & Other Comprehensive Income for the year ended 30th June 2022.

Description	Note	2021-2022	2020-2021
		Ksh	Ksh
Revenues			
Revenue	6	1,023,375,521	1,016,079,628
Grants from the national government	7	-	86,402,000
Finance income	8	202,410,097	86,596,321
Other income	9	448,283,988	511,879,494
Other gains/(losses)	10	958,075,754	213,586,000
Total revenues		**2,632,145,360**	**1,914,543,443**
Operating expenses			
Administration costs	11	1,583,127,172	1,218,441,544
Finance costs	12	44,738,922	37,838,796
Total operating expenses		**1,627,866,094**	**1,256,280,341**
Profit/(loss) before taxation		**1,004,279,266**	**658,263,102**
Income tax expense/(credit)	14	(15,744,833)	63,065,360
Profit/(loss) after taxation		**988,534,433**	**595,197,742**
Other comprehensive income			
Profit/ (loss) after taxation		**988,534,433**	**595,197,742**
Fair value gain/(loss) on unquoted investments	22	3,307,640,025	240,954,019
Fair value gain/(loss) on quoted investments	21	(1,173,481,033)	(1,249,734,554)
Total comprehensive income for the year		**3,122,693,425**	**(413,582,793)**

XIV.Statement of Financial Position as at 30 June 2022

Description	Note	2021-2022	2020-2021
		Ksh	Ksh
Assets			
Non-Current Assets			
Property, Plant And Equipment	17	204,976,736	150,155,587
Intangible Assets	18	23,098,473	23,593,583
Investment Property	19	8,132,017,095	7,274,083,216
Quoted Investments	21	1,521,924,278	2,695,405,311
Unquoted Investments	22	18,281,817,769	15,193,228,054
Long Term Receivables	43	5,136,784,050	4,854,340,466
Total Non-Current Assets		**33,300,618,401**	**30,190,806,217**
Current Assets			
Inventories	23	3,597,609	2,193,700
Trade And Other Receivables	24	730,749,110	1,630,060,989
Tax Recoverable	25	90,811,894	90,811,894
Short-Term Deposits	26	3,104,533,494	922,217,400
Cash and Bank Balances	27	49,982,933	1,605,613,842
Total Non-Current Assets		**3,979,675,040**	**4,250,897,825**
Total Assets		**37,280,293,441**	**34,441,704,042**
Equity And Liabilities			
Capital And Reserves			
Revaluation reserve	29	889,771,035	832,206,789
Fair Value Reserves	30	17,267,374,821	15,324,332,980
Retained earnings	31	12,903,869,852	11,912,849,789
Share Capital	28	936,807,234	936,807,234
Grant		3,511,986,250	3,511,986,250
Capital And Reserves		**35,509,809,192**	**32,518,183,042**

Description	Note	2021-2022	2020-2021
		Ksh	Ksh
Non-Current Liabilities			
Borrowings	32	1,356,220,179	1,368,129,539
Deferred Tax Liability	33	8,901,708	8,901,708
Deferred Income	42	30,271,141	28,203,940
Total Non-Current Liabilities		**1,395,393,028**	**1,405,235,187**
Current Liabilities			
Trade and other payables	34	374,868,909	495,131,427
Related companies 'current balances	40	222,312	124,202
Bank and cash balances (overdrawn cashbook)	27(c)	-	23,030,184
Total Current Liabilities		**375,091,221**	**518,285,813**
Total Equity And Liabilities		**37,280,293,441**	**34,441,704,042**

The financial statements were approved by the Board on 23/09/ 2022 and signed on its behalf by:

Norah Ratemo	**CPA Kennedy Wanderi**	**Michael Nyachae**
Ag. Director General	**Deputy Director Finance**	**Chairman of the Board**
	ICPAK M/NO:3349	

XV.Statement of Changes in Equity for the year ended 30 June 2022

	Revaluation Reserve	Fair value adjustment reserve	Retained earnings	Share Capital	Grant	Total
As at July 1, 2021	832,206,789	15,324,332,981	11,912,849,789	936,807,234	3,511,986,250	**32,518,183,042**
Prior Year Adjustment						
Restated Balance	**832,206,789**	**15,324,332,981**	**11,912,849,789**	**936,807,234**	**3,511,986,250**	**32,518,183,042**
Profit/(Loss) for the Year	-	-	988,534,433			**988,534,433**
Adjustment to Recognise Fair Value of Investments	-	1,943,041,840	2,485,630			1,945,527,471
Revaluation surplus on land & Buildings	57,564,246		-			57,564,246
As at 30 June, 2022	**889,771,035**	**17,267,374,821**	**12,903,869,852**	**936,807,234**	**3,511,986,250**	**35,509,809,192**
As at July 1, 2021	**832,206,789**	**15,324,332,981**	**11,912,849,789**	**936,807,234**	**3,511,986,250**	**32,518,183,042**

XVI.Statement of Cash Flows for the year ended 30 June 2022

Description	Note	2021-2022	2020-2021
		Ksh	Ksh
Cash flows from operating activities			
Cash generated from/(used in) operations	38	889,569,160	(189,663,412)
Interest received	38		
Interest paid	38	44,738,922	21,270,235
Dividends paid			
Taxation paid			(98,176,594)
Net cash generated from/(used in) operating activities		**934,308,082**	**(266,569,771)**
Cash flows from investing activities			
Purchase of property, plant and equipment	17	(15,750,632)	(28,988,502)
Proceeds from disposal of property, plant and equipment			-
Purchase of intangible assets	18	(14,357,807)	(2,490,843)
Investment Property-Addition	38	(57,564,246)	
Investments in Equity -Revaluation	38	(191,117,250)	
Proceeds from disposal of quoted investments	19	51,500,000	103,000,000
Net cash generated from/(used in) investing activities		**(227,289,935)**	**71,520,656**
Cash flows from financing activities			
GOK ESP advanced from GOK	28		2,204,264,050
Proceeds from borrowings	32(a)		
Repayment of borrowings	32(a)	(46,764,779)	(63,862,664)
Dividends paid	37	(10,538,000)	
Net cash generated from/(used in) financing activities		**(57,302,779)**	**2,140,401,386**

Description	Note	2021-2022	2020-2021
		Ksh	Ksh
Increase/(decrease) in cash and cash equivalents		**649,715,369**	**1,945,352,270**
Cash and cash equivalents at beginning of year		**2,504,801,058**	**559,448,788**
Cash and cash equivalents at end of the year		**3,154,516,427**	**2,504,801,058**

XVII.Statement of Comparison of Budget & Actual amounts for the year ended 30 June 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022
Revenue	**Ksh**	**Ksh**	**Ksh**	**Ksh**	**Ksh**	%
Dividend income	440,481,262	-	440,481,262	662,849,493	(222,368,231)	150%
Interest on loans	736,258,223		736,258,223	360,526,028	375,732,195	49%
Rental income	348,299,894	-	348,299,894	416,184,069	(67,884,175)	119%
Interest on deposits	68,934,504	-	68,934,504	202,410,097	(133,475,593)	294%
Un-realized gains on revaluation of investment property			0	906,575,754	(906,575,754)	100%
Other incomes	173,421,667		173,421,667	83,599,919	89,821,747	48%
Total income	**1,767,395,550**	-	**1,767,395,550**	**2,632,145,360**	**(864,749,810)**	**149%**
Expenses			-		-	
Compensation of employees	645,677,204	-	645,677,204	503,439,384	142,237,820	78%
Use of goods and services			0		-	
Finance cost	53,213,241	-	53,213,241	44,738,922	8,474,318	84%
Rent paid			0		-	
Taxation paid	77,312,453	-	77,312,453		77,312,453	0%
Other payments	514,482,397	0	514,482,397	1,038,367,003	(523,884,607)	202%
Capital Expenditure	265,957,310		265,957,310	41,320,784	224,636,526	16%
Total expenditure	**1,556,642,605**	-	**1,556,642,605**	**1,627,866,094**	**(71,223,489)**	**105%**
Surplus for the period	**210,752,946**	-	**210,752,946**	**1,004,279,266**	**(793,526,322)**	**477%**

XVIII. Notes to the Financial Statements

1. General Information

Kenya Development Corporation is established by and derives its authority and accountability from the Companies Act and its Articles of Association. Kenya Development Corporation is wholly owned by the Government of Kenya and is domiciled in Kenya. The Corporation's principal activity is to promote sustainable socio-economic development by providing development finance, infrastructure finance, business support and advisory services to medium and large-scale industries, infrastructure projects and commercial undertakings in target sectors.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on the accrual basis principle and 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 entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in *Note 5* The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Corporation. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, the Companies Act 2015 and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years present.

The comparative figures used for the year 2020-2021 are the combined figures Commercial Development Corporation (ICDC), Tourism Finance Corporation (TFC) and IDB Capital Limited

Notes to the Financial Statements (Continued)

3. Application of New and Revised International Financial Reporting Standards (IFRS)

i. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for De-recognition of	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted

Title	Description	Effective Date
Financial Liabilities		
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

(The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

Notes to the Financial Statements (Continued)

Application of New and Revised International Financial Reporting Standards (IFRS)

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their **materia**l accounting policy information rather than their **significant** accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted
	future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

(The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements).

iii. Early adoption of standards

Kenya Development Corporation did not early – adopt any new or amended standards in year 2021-2022.

Notes to the Financial Statements (Continued)

4. Summary of Significant Accounting Policies

The principle accounting policies adopted in the preparation of these financial statements are set out below:

a) **Revenue recognition**

Revenue is measured based on the consideration to which the Corporation expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Corporation recognizes revenue when it transfers control of a product or service to a customer.

i) **Revenue from the sale of goods and services** is recognized in the year in which the Corporation delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

ii) **Grants from National Government** are recognized in the year in which the Corporation actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.

iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.

v) **Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.

vi) **Other income** is recognized as it accrues.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies

b) In-kind contributions

In-kind contributions are donations that are made to the Kenya Development Corporation in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Corporation includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

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-valuation less any subsequent accumulated depreciation and impairment losses.

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.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies

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 ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line 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, as guided by National Treasury policy on assets depreciation are:

Freehold Land	Nil
Buildings and civil works	Uunexpired lease period
Plant and machinery	10 years
Motor vehicles, including motor cycles	5 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	10 years

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

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.

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives . The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are 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.

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies

i) **Fixed interest investments (bonds)**
Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

j) **Quoted investments**
Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

k) **Unquoted investments**
Unquoted investments are stated at their fair values under non-current assets, and comprise equity shares held in other entities that are not quoted in the Securities Exchange.

l) **Inventories**
Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

m) **Trade and other receivables**
Trade and other receivables are recognized 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.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies

n) Taxation

i) 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 Kenya Development Corporation 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.
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 Corporation operates and generates taxable income.

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.

o) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.
Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

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 various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprest and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies

r) **Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

s) **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 entity or not, less any payments made to the suppliers.

t) **Retirement benefit obligations**

Kenya Development Corporation operates a defined contribution scheme for all permanent and pensionable employees from July 1, 2021. The scheme is administered by Minet Kenya Financial Services Limited and is funded by contributions from both the Corporation and its employees. The Corporation also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Corporation's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Ksh.200 per employee per month.

u) **Provision for staff leave pay**

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

v) **Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which Kenya Development 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.

w) Budget information

The original budget for FY 2021-2022 was approved by the National Treasury on 5th January 2022. Subsequent revisions or additional appropriations are made to the approved budget in accordance with specific approvals from the National Treasury. The additional appropriations are added to the original budget by the Corporation upon receiving the respective approvals in order to conclude the final budget. During the year, the Corporation did not request for additional appropriations on the 2021-2022 budget but it made request for re-allocation of budget lines.

x) Service concession arrangements

Kenya Development Corporation analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Corporation recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Corporation also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

y) Comparative figures

Kenya Development Corporation commenced operations on 1st July 2021 and therefore it does not have comparative figures of its own for the previous period. However, since the Corporation was borne out of the merger of Industrial and Commercial Development Corporation, Tourism Finance Corporation and IDC Capital Limited, the consolidated position of these three former entities has been presented as the comparative figures for the previous period. Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

z) 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, 2022.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Kenya Development Corporation's financial statements in conformity with IFRS 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.

The Corporation has invested in the ordinary capital of various companies and undertakes a valuation of the equity investments at fair values as at the balance sheet date. The valuation makes various assumptions and estimates and where these assumptions and estimates do not hold in the future it may require the adjustment of their carrying value.

The Corporation also advances loans to customers and provision for loss on the loans is based on estimates of the realizable amounts considering repayment history and future macro-economic conditions. The assessment of these factors could change in the future resulting in a need to make material adjustment to the carrying value of the loans.

a) 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 Corporation based its assumptions and estimates on parameters available when the 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 Corporation. Such changes are reflected in the assumptions when they occur.

b) 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 assets

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 36.

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.

Provision for bad debts arising from loans advanced to customers are made by estimating the expected credit loss on the loans. The provision for loss is made considering the loan repayment history, expected future macro-economic factors and the expected net realizable value of the security held.

6. Revenue

Description	2021-2022	2020-2021
	Ksh	Ksh
Dividend income	662,849,493	570,702,883
Interest income	360,526,028	445,376,745
Total	**1,023,375,521**	**1,016,079,628**

Dividend income during the period was higher than the previous period due to higher dividend declaration by investee companies on account of improved performance.
Interest income declined due to a lower balance of performing loans outstanding as at end of the period.

7. Grants from National Government

Description	2021-2022	2020-2021
	Ksh	Ksh
Reccurrent grants received	-	86,402,000
Total	-	**86,402,000**

The grant was provided by The National Treasury through the Ministry of Tourism to support operations in the tourism sector.

Notes to the Financial Statements (Continued)

8. Finance Income

	2021-2022	2020-2021
Description	Ksh	Ksh
Interest from commercial banks and financial institutions	202,410,097	86,596,321
Total	**202,410,097**	**86,596,321**

The above amount represents interest earned on fixed deposits placed with commercial banks.

9. Other Income

	2021-2022	2020-2021
Description	Ksh	Ksh
Rental income	416,184,069	427,043,750
Other miscellaneous receipts	32,099,919	85,498,225
Total	**448,283,988**	**512,541,976**

Rental income was realized from the Corporation's properties including Utalii House, Uchumi House and Finance House all within the Nairobi Central Business District while miscellaneous income includes fees earned from advisory services rendered to customers.

10. Other Gains and Losses

	2021-2022	2020-2021
Description	Ksh	Ksh
Loss/gain on disposal on sale of investments	51,500,000	103,000,000
Gain on sale of fixed assets	-	1,657,000
Fair value gain or losses on revaluation of investment property	906,575,754	108,929,000
Total	**958,075,754**	**213,586,000**

Notes to the Financial Statements (Continues)

11. Administration Costs

	2021-2022	2020-2021
Description	Ksh	Ksh
Staff costs (note 11a)	503,439,384	448,927,932
Directors' emoluments	21,612,181	31,695,262
Electricity and water	28,868,575	30,970,692
Communication services and supplies	34,889,693	22,563,085
Transportation, travelling and subsistence	44,730,518	34,660,736
Advertising, printing, stationery and photocopying	4,117,470	3,726,811
Motor Vehicle running Expenses	3,546,215	4407058.8
Staff training expenses	10,520,610	12,574,557
Other Building Operating Expenses	40,350,465	55,629,717
Insurance costs	15,000,852	7,173,836
Bank charges and commissions	949,538	948,634
Office and general supplies and services	4,317,763	9,254,150
Auditors' remuneration	5,944,000	5,806,000
Legal fees	25,027,601	20,519,529
Consultancy fees	8,702,159	11,423,051
Rent and Rates	7,092,113	4,759,616
Repairs and maintenance	11,014,517	12,771,382
Depreciation	18,188,320	22,708,595
Amortization	14,852,918	21,717,065
Provision for bad and doubtful debts	684,401,173	276,119,421
Other Operating Expenses	95,561,107	180,084,416
Total	**1,583,127,172**	**1,218,441,544**

Notes to the Financial Statements (Continued)

11aStaff Costs

Description	2021-2022 Ksh	2020-2021 Ksh
Salaries and wages	387,225,582	345,596,119
Staff pension	29,724,519	26,524,358
Casual labour wages	2,822,055	2,518,230
Fringe benefit tax	3,435,858	3,065,951
NSSF employer's contribution	279,400	249,320
Gratuity provision	28,964,738	25,476,039
Staff welfare	7,244,458	6,464,515
Long service awards	100,000	89,234
Staff medical expenses	37,008,632	33,024,259
Staff group life insurance	3,875,835	3,458,560
Recruitment expenses	316,200	282,158
Subscriptions costs-staff	2,442,108	2,179,189
Total	**503,439,384**	**448,927,932**
The average number of employees at the end of the year was:		
Management	17	17
None Management	95	97
Temporary and contracted employees	1	0
Total	113	114

Notes to the Financial Statements (Continued)

12. Finance Costs

Description	2021-2022 Ksh	2020-2021 Ksh
Interest expense on loans	44,738,922	37,838,796
Total	**44,738,922**	**37,838,796**

The interest expense relates to borrowing from the National Treasury.

13. Operating Profit/ (Loss)

Description	2021-2022 Ksh	2020-2021 Ksh
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff Costs (Note 12b)	503,439,384	448,927,932
Depreciation of property, plant and equipment	18,188,320	22,708,595
Amortisation of intangible assets	14,852,918	21,717,065
Provision for bad and doubtful debts	684,401,173	276,119,421
Directors' emoluments – fees	21,612,181	31,695,262
Auditors' remuneration - current year fees	5,944,000	5,806,000
Interest receivable	(947,574,205)	(925,457,897)
Interest payable	10,299,194	6,270,235
Rent receivable	511,492,327	488,922,127

Notes to the Financial Statements (Continued)

14. Income Tax Expense/(Credit)

a) Current taxation

Description	2021-2022 Ksh	2020-2021 Ksh
Current taxation based on the adjusted Profit for the year at 30%	15,744,833	63,065,360
Prior Year Under-provision for deferred tax		-
Total	**15,744,833**	**63,065,360**

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

Description	2021-2022 Ksh	2020-2021 Ksh
Profit before taxation		658,263,102
Tax at the applicable tax rate of 30%		197,478,931
Current tax		
Prior year under-provision		
Tax effects of expenses not deductible for tax purposes		36,135,000
Tax effects of income not taxable		(199,315,198)
Effects of changes in tax rate		(10,564,606)
Movement in deferred tax not recognised in the year		39,331,233
Tax effects of excess capital allowances over depreciation/amortization		
Deferred tax prior year over-provision		
Total		**63,065,360**

15. Earnings Per Share

The Corporation does not have issued shares on which earnings per share can be calculated.

16. Dividend per Share

During the year 2021-22 the Corporation paid a first and final dividend of Ksh10,538,000. (2021-Nil). Proposed and paid dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM).

Notes to the Financial Statements (Continued)

17. Property, Plant and Equipment

	Buildings & civil works	Motor vehicles	Office equipment, furniture & fittings	Computer Hardware	Total
	Ksh	**Ksh**	**Ksh**	**Ksh**	**Ksh**
Cost or valuation					
At July 1, 2021	78,500,000	46,506,784	192,325,942	94,157,497	411,490,224
Additions		9,160,000	2,281,329	4,003,894	15,445,223
Revaluation	57,564,246				57,564,246
Disposals				-	
At June 30, 2022	**136,064,246**	**55,666,785**	**194,607,271**	**98,161,391**	**484,499,693**
Depreciation					
At July 1, 2021	-	30,277,053	152,587,084	78,470,500	261,334,637
Charge for the year		5,919,383	4,679,846	7,589,091	18,188,320
At June 30, 2022	**0**	**36,196,436**	**157,266,930**	**86,059,590**	**279,522,957**
Net book value at June 30, 2022	**136,064,246**	**19,470,348**	**37,340,340**	**12,101,801**	**204,976,736**

Notes To The Financial Statements (Continued)

Property, Plant and Equipment (Continued)

	Buildings & civil works	Motor vehicles	Office equipment, furniture & fittings	Computer Hardware	Total
	Ksh	**Ksh**	**Ksh**	**Ksh**	**Ksh**
Cost or valuation					
At July 1, 2020	78,500,000	54,157,284	173,649,807	84,444,878	390,751,970
Additions			18,729,344	10,259,158	28,988,502
Revaluation			92,791	380,331	473,122
Disposals		(7,650,500)	(146,000)	(926,870)	(8,723,370)
At June 30, 2021	**78,500,000**	**46,506,784**	**192,325,942**	**94,157,497**	**411,490,224**
Depreciation					
At July 1, 2020		30,070,691	147,975,280	69,547,930	247,593,901
Charge for the year		7,856,863	4,725,273	9,751,720	22,333,856
Eliminated on disposal		(7,650,500)	(113,469)	(829,151)	(8,593,120)
At June 30, 2021	-	**30,277,053**	**152,587,084**	**78,470,500**	**261,334,637**
Net book value at June 30, 2021	**78,500,000**	**16,229,731**	**39,738,858**	**15,686,998**	**150,155,587**

Valuation

Land and buildings were valued by the Corporations internal valuer on a market value basis of valuation. These amounts were adopted on 30th June 2022.

18. Intangible Assets

Description	2021-2022	2020-2021
	Ksh	Ksh
Cost		
At July 1	97,435,811	94,944,968
Additions	36,130,930	2,490,843
Disposals		
At June 30	**133,566,741**	**97,435,811**
Amortisation		
At July 1	95,615,350	78,839,176
Charge For The Year	14,852,918	16,776,174
At June 30	110,468,268	95,615,350
Net Book Value		
At June 30	**23,098,473**	**23,593,583**

19. Investment Property

Description	2021-2022	2020-2021
	Ksh	Ksh
Opening Valuation	**7,274,083,216**	**7,268,154,216**
Movements During The Year		
Fair Value Gains/(Losses)	906,575,754	108,929,000
Addition	2,858,125	
Disposals	(51,500,000)	(103,000,000)
Fair Value Gains/(Losses)		
Closing Valuation	**8,132,017,095**	**7,274,083,216**
Depreciation (If At Cost)		
At July 1		
Charge For The Year		
Disposals		
Impairment Loss		
At June 30		
Net Book Value	**8,132,017,094**	**7,229,240,199**
At June 30	**7,274,083,216**	**7,268,154,216**

20. Right-of-use assets

Description	Buildings Ksh	Plant Ksh	Equipment Ksh	Total Ksh
Cost				
As At 1 July 2021	12,372,533			12,372,533
Additions	-			-
As At 30 June 2022	-			-
Additions	-			-
As At 30 June 2022	**12,372,533**			**12,372,533**
Accumulated Depreciation				
As At 1 July 2021	12,372,533			12,372,533
Charge for The Year	-			-
As At 30 June 2022	-			-
Charge for The Year	-			-
As At 30 June 2022	**12,372,533**			**12,372,533**
Carrying Amount				
As At 30 June 2022	0			0
As At 30 June 2021	0			0

21. Quoted Investments

Description	2021-2022 Ksh	2020-2021 Ksh
B/f Valuation	**2,695,405,311**	**3,979,411,975**
Fair value gains/(losses)	**(1,173,481,033)**	**(1,249,734,554)**
Provisions	(34,272,110)	(34,272,110)
C/f Valuation	**1,521,924,278**	**2,695,405,311**

The downward revaluation of the equity investments was caused by the general depressed prices of stocks on the Nairobi Securities Exchange. The investments involved are Centum Investments PLC in which the Corporation holds a 22.9% shareholding and Eveready East Africa in which the Corporation has a 17% shareholding.

Notes to the Financial Statements (Continued)

Name of entity where investment is held	No of shares					
	Direct shareholding	Indirect shareholding	Effective shareholding	Nominal value of shares/ purchase price	Fair value of shares Current year	Fair value of shares for prior year
	No	No	No	No	Ksh	Ksh
Centum Investments Co. Ltd.	152,847,897		152,847,897	9.78	1,494,852,433	2,659,553,408
Eveready Batteries Kenya Ltd.	36,583,575		36,583,575	0.74	27,071,846	35,851,904
Uchumi Supermarkets Ltd.	7,288,472		7,288,472	4.70		
					1,521,924,278	**2,695,405,311**

22. Unquoted Investments

Description	2021-2022	2020-2021
	Ksh	Ksh
Cost		
At July 1	15,718,199,789	15,718,199,789
Additions		
Fair value gains/(losses)	3,307,640,124	
Disposals		
At June 30	**19,025,839,913**	**15,718,199,789**
Impairment		
At July 1	524,971,735	524,971,735
Disposals		
Impairment loss during the year	219,050,408	
At June 30	744,022,143	524,971,735
Net Book Value	**18,281,817,769**	**15,193,228,054**

Notes To The Financial Statements (Continued)

	No of shares					
Name of entity where investment is held	Direct shareholding	Indirect shareholding	Effective shareholding	Nominal value of shares/ purchase price	Value of shares less impairment Current year	Value of shares less impairment Prior year
	No	No	No	Ksh	Ksh	Ksh
Minet Kenya Insurance Brokers Ltd.	309,140		309,140	4,240	1,310,681,890	1,121,382,459
Minet Kenya Financial Services Ltd	119,946		119,946	122	14,582,545	2,398,920
Development Bank of Kenya Ltd.	46,551,750		46,551,750	62	2,896,892,150	3,003,053,795
Focus Container Freight Station	25			-	-	7,547,000
Funguo Investments Ltd.	11,060,543		11,060,543	27	295,410,978	232,237,999
Isuzu EA Ltd	313,500		313,500	10,165	3,186,644,420	2,915,195,129
IDB Capital Ltd.	1,735,500		1,735,500	15	26,032,500	26,032,500
Almasi Beverages Limited	369,011,278		369,011,27	11	4,215,430,100	3,726,777,597
KWA Holdings E.A. Ltd. (KWAL)	44,555,036		44,555,036	92	4,108,125,083	3,457,288,645
Two Rivers Development Limited	56		56	4,651,816	260,501,668	260,501,668
Meatland Processing Ltd.					-	21,450
International Hotel (Kenya) Ltd	1,725,777		1,725,777	493	850,639,655	135,939,167
Kenya Hotel Properties (Intercon. NBI) Ltd	5,880,307		5,880,307	20	117,603,012	117,603,012
Mountain Lodge Ltd	305,078			-	-	6,101,160
Maralal Safari Lodge Ltd	40,100			-	-	802,000
The Ark Ltd	41,200			-	-	823,976
Buffalo Springs Lodge Ltd	10,000			-	-	41,750
Golf Hotel Ltd	241,734		241,734	2,518.89	608,902,069	4,827,480
Kabarnet Hotel Ltd	245,000			-	-	5,432,120
Mt.Elgon Lodge Ltd	67,288			-	-	1,345,780
Sunset Hotel Ltd	572,500			-	-	11,450,000
Bomas of Kenya Ltd	253,999		253,999	20.00	5,080,000	5,080,000
African Tours & Hotels Ltd	264,427			-	-	748,360
Kenya Safari Lodges & Hotels Ltd	4,161,855		4,161,855	10.77	44,806,699	118,053,678
Fresh pick Processors (EPZ) Limited	570		570	335,275.98	191,107,307	
Consolidated Bank	1,040,000		1,040,000	20.00	20,800,000	4,372,190
African Import Export Bank	10		10	703,084.20	7,030,842	28,107,316
TOTAL					**18,281,817,769**	**15,193,228,054**

23. Inventories

Description	2021-2022	2020-2021
	Ksh	Ksh
Stationery	2,379,906	1,739,398
General supplies	1,217,703	454,302
Less: Impairment of Stocks	-	-
Total	**3,597,609**	**2,193,700**

24. Trade and Other Receivables

Description	2021-2022	2020-2021
	Ksh	Ksh
Trade Receivables	1,140,724,696	1,833,408,599
Deposits and prepayments	2,561,260	3,854,981
Staff receivables (Note 24(b))	3,874,857	6,926,269
Other receivables	278,399	202,561,239
Gross Trade and Other Receivables	**1,147,439,212**	**2,046,751,089**
Provision for Bad And Doubtful Receivable	(416,690,101)	(416,690,101)
Net Trade and Other Receivables	**730,749,112**	**1,630,060,988**

24 (a) Reconciliation of Impairment Allowance for Trade Receivables

Description	2021-2022	2020-2021
	Ksh	Ksh
At the beginning of the year	416,690,101	416,690,101
Additional provisions during the year		
At the end of the year	**416,690,101**	**416,690,101**

24 (b) Staff Receivables

Description	2021-2022	2020-2021
	Ksh	Ksh
Gross staff loans and advances	3,874,857	6,236,716
Provision for impairment loss	(0)	(0)
Net staff loans	3,874,857	6,236,716
Less: Amounts due within one year	3,874,857	6,236,716
Amounts due after one year	0	0

[Staff salary advance]

25. Tax Recoverable

Description	2021-2022	2020-2021
	Ksh	Ksh
At beginning of the year	90,811,894	90,811,894
Income tax charge for the year (Note 16)		
Under/(Over) Provision in prior year (Note 16)		
Income tax paid during the year		
At end of the year	**90,811,894**	**90,811,894**

[Recoverable Corporate tax Ksh.54M from former ICDC and recoverable WHT of 36M from former IDB]

26. Short Term Deposits

Description	2021-2022	2020-2021
	Ksh	Ksh
Other Commercial Banks		
Deposit in Commercial Banks	3,104,533,494	922,217,400
Total	**3,104,533,494**	**922,217,400**

The average effective interest rate on the short term deposits as at June 30, 2022 was 8.0% (2020: 7.5 %).

27. Bank and Cash Balances

Description	2021-2022	2020-2021
	Ksh	Ksh
Cash at bank	49,692,063	1,605,374,755
Cash in hand	290,870	239,088
Total	**49,982,933**	**1,605,613,842**

: The bulk of the cash at bank was held at Kenya Commercial Bank, the entity's main bankers.

Detailed analysis of the cash and cash equivalents

Description		2021-2022	2020-2021
Financial institution	Account number	Ksh	Ksh
a) **Current Account**			
KCB MAIN AC	1108982255	2,573,241	14,870,754
ICDC NCBA AC	6526170014	277,994	4,671,140
			124,199
ICDC RENT AC CO-OP BANK	1136308009900	303,074	
CASH AND BANK LEDGER -CASH		290,870	239,088
KDB MERGER CASH ACCOUNT	1252913540	52,028	53,093
KCB MAIN ACCOUNT	1104821397	145,206	
KCB LOAN FUND	1123183503	2,685,477	1,560,502,380
KCB LOAN INTREST	1123183805	120	99,934
NBK (KSH)	01001006115500	83,664	675,824
NBK (USD)	02001006115500	1,412	1,351,066
NBK (EURO)	03001006115500		208,988
NCBA-CURRENT ACCOUNT	6432320013	1,503,731	8,597,567
KCB OPERATIONS ACCOUNT	1288537816	16,125,228	0
KCB TOURISM FUND ACCOUNT	1288537956	2,035,194	262,003
KCB PRIVATIZATION PROCEEDS ACCOUNT	1288538030	95,506	13,300,626
KCB TENANT DEPOSIT	1123183619		623,899
KCB- PRIVATIZATION PROCEEDS AC	1164956744	32,216	33,281
NATIONAL BANK -KDC	01070239425500	640,984	-
NATIONAL BANK -USD - KDC	02070239425500	2,454,384	-
KDC RENT ACCOUNT AT CO-OP BANK	01141733817600	11,996,925	-
KDC NCBA AC - KES	5148780018	7,302,684	-
KDC NCBA AC - USD	5148780023	1,382,997	-
Sub- Total		**49,982,933**	**1,605,374,755**
b) **Fixed Deposits Account**			
DEVELOPMENT BANK OF KENYA LTD		121,016,389	88,379,545
CO-OPERATIVE OF BANK LTD			395,374,472
CO-OPERATIVE OF BANK IDB			67,647,146
KCB BANK		1,713,199,999	-
CO-OPERATIVE BANK - KDC		690,969,853	241,152,123
NATIONAL BANK - KDC		508,549,487	-

Description		2021-2022	2020-2021
Financial institution	Account number	Ksh	Ksh
NCBA FIXED DEPOSIT ACCOUNT		70,797,766	37,773,000
EQUITY IDB			91,891,113
Sub- Total		**3,104,533,494**	**922,217,400**
Grand Total		**3,154,516,427**	**2,527,831,242**

27 c) Overdrawn cashbook

Description		2021-2022	2020-2021
Financial institution	Account number	Ksh	Ksh
ICDC RENT AC CO-OP BANK	1136308009900		(22,324,737)
KCB MAIN ACCOUNT	1104821397		(705,447)
Total			**(23,030,184)**

28. Ordinary Share Capital

Description	2021-2022	2020-2021
	Ksh	Ksh
Authorized:		
20,000,000,000Ordinary Shares of Ksh 5 par value each	100,000,000,000	-
Issued and Fully paid:		
Ordinary Share Capital of Ksh par value each	936,807,234	936,807,234

Kenya Development Corporation was incorporated on 27th November 2020 with an authorized share capital of Ksh100,000,000,000 divided into 20,000,000,000 shares of Ksh5 par value each. The process of restructuring the balance sheet and create a share capital out of the reserves is ongoing. The amount of share capital recognized in the books is the share capital and equity funds carried over from the three former DFI's.

29. Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

30. Fair Value Adjustment Reserve

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

31. Retained Earnings

The retained earnings represent amounts available for distribution to Kenya Development Corporation's shareholders. Undistributed retained earnings are utilised to finance the Corporation's business activities.

32. Borrowings

Description	2021-2022	2020-2021
	Ksh	Ksh
a) Domestic borrowing		
Balance at beginning of the year	911,756,136	954,348,565
Repayments during the year	(46,764,779)	(63,862,664)
Interest for the year	26,579,923	21,270,235
Balance at end of the year	**891,571,280**	**911,756,136**
b) External borrowing		
Balance at beginning of the year	456,373,404	427,859,959
Adjustments during the year	(9,883,505)	
Interest for the year	18,159,000	28,513,446
Balance at end of the year	**464,648,899**	**456,373,404**

The analyses of both external and domestic borrowings are as follows:

Description	2021-2022	2020-2021
	Ksh	Ksh
External borrowing		
Exim Bank India	464,648,899	456,373,404
Total External Loan	**464,648,899**	**456,373,404**
Domestic Borrowing		
Kenya Shilling loan from GOK Revolving Fund	48,000,000	48,000,000
Kenya Shilling loan from GOK	299,071,279	334,256,135

Kenya Shilling loan from GOK onward lending to DBK	544,500,000	529,500,000
Total GOK loans	**891,571,280**	**911,756,136**
Total Loans	**1,356,220,179**	**1,368,129,539**

Description	2021-2022	2020-2021
	Ksh	Ksh
Short term borrowings (Current Portion)	45,484,050	46,764,779
Long term borrowings	1,310,736,129	1,321,364,761
Total	**1,356,220,179**	**1,368,129,539**

33. Deferred Tax Liability

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

Description	2021-2022	2020-2021
	Ksh	Ksh
Revaluation surplus	8,901,708	8,901,708
Tax losses carried forward		
Provisions for liabilities and charges		
Net deferred tax liability	**8,901,708**	**8,901,708**

The movement on the deferred tax account is as follows:

Description	2021-2022	2020-2021
	Ksh	Ksh
Balance at beginning of the year	8,901,708	8,901,708
Credit to revaluation reserve		
Under Provision in Prior Year		
Income Statement Charge/(Credit)		
Balance at end of the year	**8,901,708**	**8,901,708**

34. Trade and Other Payables

Description	2021-2022	2020-2021
	Ksh	Ksh
Trade payables	20,053,078	193,572,499
Accrued expenses	114,883,928	93,526,509
Retention/ Contract monies	36,800,567	36,298,630
Deposits	79,268,915	3,343,194
Employee payables	58,384,141	140,986,852
Other payables	53,651,239	27,403,743
Payable-Loan	11,827,040	
Total	**374,868,909**	**495,131,427**

35. Retirement Benefit Obligations

Retirement benefit Asset/ Liability

Kenya Development Corporation operates a defined contribution scheme for all permanent and pensionable employees from July 1, 2021. The scheme is administered by Minet Financial Services Limited while ICEA, Co-op Trust and UAP Old Mutual are the custodians of the scheme. The employees contribute 9% percentage of salary while the employer contributes 18% of an employee's salary to the scheme. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

The Corporation also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Ksh.200 per employee per month.

36. Provisions

Description	Long service leave	Bonus Provision	Gratuity provisions	Other Provisions	Total
	Ksh	Ksh	Ksh	Ksh	Ksh
Balance at the beginning of the year	14,542,424		16,147,778		**30,690,203**
Additional provisions			35,721,015		35,721,015
Provision utilised	(419,091)		(7,607,986)		(8,027,077)
Change due to discount and time					
Less: current portion					
Balance at the end of the year	**14,123,333**		**44,260,807**		**58,384,141**

37. Dividends Payable

The balance of dividends payable relates to unclaimed dividends, payable to different shareholders. The balances are analysed in annual amount below.

Description	2021-2022	2020-2021
	Ksh	Ksh
At the beginning of the year	-	-
Additional declared during the year	10,538,000	-
Paid during the year	10,538,000	-
Balance at end of the year	-	-

Dividends paid to ordinary shareholders amounts to Ksh.10,538,000.

Notes to the Financial Statements (Continued)

38. Notes to the Statement of Cash Flows

Description	2021-2022 Ksh	2020-2021 Ksh
(a) Reconciliation of Operating Profit/(Loss) To Cash Generated From/ (Used In) Operations		
Profit or Loss before tax	1,004,279,266	658,263,102
Depreciation	18,188,320	22,708,595
Amortisation	14,852,918	21,717,065
(Gain)/Loss on disposal of Property, Plant And Equipment		(1,657,000)
Revaluation Loss on Inventory	219,050,408	11,023,000
Provisions made	(906,575,754)	(108,929,000)
Investment Property-Surplus Reserve		99,458,801
Operating Profit/(Loss) before Working Capital changes	**349,795,158**	**702,584,563**
Net Movement in Loans and Advances	(388,455,788)	(463,398,397)
Increase/(Decrease) in Deferred revenue	2,067,201	9,578,120
Increase/(Decrease) in creditors	(147,834,390)	(63,590,841)
Increase/(Decrease) in debtors	1,073,898,868	(344,672,018)
Increase)/(Decrease) in subsidiary companies current accounts	98,111	229,247
Increase/(Decrease) in Tax payable		-
Dividend payable		
inventory IP		(30,394,086)
Cash Generated from/(used In) operations	**889,569,160**	**(189,663,412)**
(b) Analysis of Changes in Loans		
Balance at beginning of the year	1,368,129,540	1,382,208,524
Receipts during the year	-	-
Repayments during the year	(46,764,779)	(63,862,664)
Repayments of previous year's accrued interest	(9,883,505)	-
Foreign Exchange (Gains)/Losses		-

Description	2021-2022	2020-2021
	Ksh	Ksh
(d) Analysis of interest paid		
Interest on Loans	44,738,922	49,783,681
Interest on Bank Overdraft	-	
Interest on Lease Liabilities	-	
Interest on Loans Capitalised	-	
Balance at Beginning of the year	29,545,730	29,500,000
Balance at end of the year (Note 35(B))	15,193,192	29,545,730
Interest paid	11,579,923	6,270,235
(e) Analysis of Dividend paid		
Balance at beginning of the year	-	-
2020 Dividends paid	-	-
2021 Dividends paid	-	-
2022 Interim Dividends paid	10,538,000	-
Balance at end of the year	-	-
Dividend paid	10,538,000	-

Description	2021-2022	2020-2021
	Ksh	Ksh
Accrued interest	44,738,922	49,783,680
Balance at end of the year	**1,356,220,179**	**1,368,129,540**
(c) Analysis of Cash and Cash equivalents		
Short Term Deposits	3,104,565,710	922,250,421
Cash At Bank	-	1,604,635,582
Cash at Bank	49,659,847	(22,324,737)
Cash In Hand	290,870	239,840
Balance At End Of The Year	**3,154,516,427**	**2,504,801,106**

39. Related Party Disclosures

Government of Kenya

The Government of Kenya is the principal shareholder in Kenya Development Corporation, holding 100% of the Corporation's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

i) The National Treasury and Planning
ii) Ministry of Tourism and Wildlife
iii) Investee Companies
iv) Key management
v) Board of directors

Notes to the Financial Statements (Continued)

40. Related companies' current balances

Description	2021-2022 Ksh	2020-2021 Ksh
a) Sales to related parties		
Rent income from govt. agencies	122,273,576	124,532,674
Interest income from govt commercial banks	-	-
Interest income from bills and bonds	-	-
Others (*specify*)	-	-
Total	**122,273,576**	**124,532,674**
b) Purchases from related parties		
Purchases of electricity from KPLC	22,282,798	14,397,646
Purchase of water from govt service providers	6,795,252	6,838,534
Total	**29,078,050**	**21,236,180**
c) Grants from the government		
Grants from national govt		86,402,000
Grants from county government		
Donations in kind		
Total		**86,402,000**
d) Key management compensation		
Directors' emoluments	21,612,181	31,695,262
Compensation to key management	110,551,300	100,704,425
Total	**132,163,481**	**132,399,687**

Related Parties Transactions

Description	2021-2022	2020-2021
	Ksh	Ksh
Related Companies Current Accounts		
Kenatco Taxis Ltd.	250,000	250,000
Sub Total	**250,000**	**250,000**
Related Companies Current Accounts		
Kenya Nat. Trading Corporation	400,000	400,000
Kenya Wine Agencies Ltd.	142,500	142,500
Sub- Total	**542,500**	**542,500**
Recoverable Expenses From Other Companies		
Kenatco Taxis Ltd.	4,423,262	4,423,262
Funguo Corporate Services Ltd.	7,214,572	7,214,572
Kenya Wine Agencies Ltd.	488,499	488,499
Funguo E-Centre	1,070,007	1,070,007
Sub- Total	**13,196,340**	**13,196,340**
Related Companies Current Accounts		
Development Bank of Kenya Ltd.	(1,995)	(1,995)
Kenatco Taxis Ltd.	10,729,500	10,729,500
Sub- Total	**10,727,505**	**10,727,505**
	24,716,345	**24,716,345**
LESS: Provisions on Current A/Cs	24,938,658	24,840,547
	(222,312)	**(124,202)**

41. Capital Commitments

Capital commitments at the year- end for which no provision has been made in these financial statements are:

Description	2021-2022 Ksh	2020-2021 Ksh
Amounts authorized and contracted for	167,081,283	38,987,905
Amounts authorized but Not Contracted for	42,110,355	62,292,000
Less: Amounts included in Work In Progress	-	-
	209,191,638	**101,279,905**

42. Contingent Assets and Liabilities

Contingent Liabilities

Description	2021-2022 Ksh	2020-2021 Ksh
Contingent Liabilities		
Court cases against the entity	57,724,817	57,724,817
Bank guarantees in favour of subsidiary	37,500,000	37,500,000
Others- Bank guarantees in favour of customers	36,000,000	36,000,000
Letters of Credit in favour of customers	17,400,106	66,100,000
Total	**148,624,923**	**214,724,923**

In the opinion of the directors, no provision is required in these financial statements as the liabilities are not expected to crystallize.

43. Financial Risk Management

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

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

(i) Credit risk

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

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

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

Description	Total amount Ksh	Fully performing Ksh	Past due Ksh	Impaired Ksh
At 30 June 2022				
Receivables from exchange transactions				
Receivables from non-exchange transactions	38,417,273,467	5,136,784,050		33,280,489,417
Bank balances	3,154,516,427	3,154,516,427		0
Total	**41,571,789,895**	**8,291,300,477**	**0**	**33,280,489,417**
At 30 June 2022				
Receivables from exchange transactions				
Receivables from non-exchange transactions	37,267,395,016	4,854,340,466	-	32,413,054,551
Bank balances	2,504,801,058	2,504,801,058	-	0
Total	**39,772,196,075**	**7,359,141,524**	**0**	**32,413,054,551**

Ksh. 4,286,862,994 long term and Ksh. 838,094,016 receivables within one year as at 30th June 2022

	2022	**2021**
Item	**Amount (Ksh)**	**Amount (Ksh)**
Commercial Loans	6,061,052,370	4,873,063,410
Non-Performing Loans (NPL)	31,863,441,822	31,875,567,730
Staff Loans	316,126,646	342,111,248
Unit Debtors Tourism	174,598,088	174,598,088
Interest on deposit Receivable IDB	2,054,541	2,054,541
Total	**38,417,273,467**	**37,267,395,017**
Provision	33,280,489,417	32,413,054,551
Net Loans	**5,136,784,050**	**4,854,340,466**

High Ratio of Non-Performing Loans Portfolio

The analysis of credit risk above reflects long term receivables balance of Kshs.5,136,784,050 relating to loans and advances by the Corporation to borrowers as at 30 June, 2022. The respective loan records indicates that approximately Kshs.33,280,489,417 or 87% of the Corporation's total loans portfolio estimated at Kshs.38,417,273,467 as at 30 June, 2022 is considered by Management as non-recoverable. Further, the Corporation has stopped accrual of interest on the loans in line with the in duplum rule which requires that interest accrued should not exceed the principal amount outstanding when the loan becomes non-performing. In addition, the securities related to some of the old non-performing loans being borrowers' ancestral lands, were reported to be missing, impaired, or irredeemable.

The Board of Directors has approved full provision for the losses totalling Kshs.33,280,489,417 against the Corporation's reserves as required by International Financial Reporting Standard No.9.

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

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

Credit quality analysis

An analysis of the Corporation's credit risk exposure per class of financial asset, internal rating and "stage" without considering the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Year ended 30 June 2022

	Stage 1 12-month ECL KSh	Stage 2 Lifetime ECL KSh	Stage 3 Lifetime ECL KSh	Total KSh
Loans and advances to customers at amortised cost;				
Grade 1: Normal	1,927,668,163	-	-	**1,927,668,163**
Grade 2: Watch		905,381,670	-	**905,381,670**
Grade 3: Substandard	-	-	170,390,943	**170,390,943**
Grade 4: Doubtful	-	-	333,601,635	**333,601,635**
Grade 5: Loss	-	-	3,228,591,494	**3,228,591,494**

Total gross carrying amount	**1,927,668,163**	**905,381,670**	**3,732,584,072**	**6,553,806,864**
Loss allowance	(419,509,892)	(197,034,207)	(812,305,755)	(1,428,849,854)
Carrying amount	**1,508,158,270**	**708,347,463**	**2,920,278,317**	**5,136,784,050**

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month Ksh	Between 1-3 months Ksh	Over 5 months Ksh	Total Ksh
At 30 June 2022				
Trade payables	189,403,354	97,700,977	72,019,746	**359,124,077**
Current portion of borrowings			45,484,050	**45,484,050**
Provisions				**0**
Deferred income			30,271,141	**30,271,141**
Employee benefit obligation				
Total	**189,403,354**	**97,700,977**	**147,774,937**	**434,879,268**
At 30 June 2021				
Trade payables	428,085,859	27,403,743	39,641,825	**495,131,427**
Current portion of borrowings			46,764,779	**46,764,779**
Provisions				
Deferred income			28,203,940	**28,102,170**
Employee benefit obligation				
Total	**428,085,859**	**27,403,743**	**114,610,543**	**569,998,375**

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

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

a) Interest rate risk

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

i) Management of interest rate risk

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

ii) Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Ksh.5,453,236. A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Ksh 27,266,180.

iii) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Corporation's market assumptions. These two types of inputs have created the following fair value hierarchy:

i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Corporation considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

At 30 June 2022	Level 1 Ksh	Level 2 Ksh	Level 3 Ksh	Total Ksh
Financial assets				
Quoted equity investments	1,521,924,278			**1,521,924,278**
Unquoted equity investments			18,281,817,769	**18,281,817,769**
Non- financial assets				
Investment property			8,132,017,094	**8,132,017,094**
Land and buildings				
	1,521,924,278		26,413,834,864	**27,935,759,142**
At 30 June 2021				
Financial assets				
Quoted equity investments	2,695,405,311			**2,695,405,311**
Unquoted equity investments			15,193,228,054	**15,193,228,054**
Non- financial assets				
Investment property			7,274,083,216	**7,274,083,216**
Land and buildings				
	2,695,405,311		22,467,311,270	**25,162,716,582**

There were no transfers between levels 1, 2 and 3 during the year.

Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

Notes to The Financial Statements (Continued)

iv) Capital Risk Management

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

Description	2021-2022	2020-2021
	Ksh	Ksh
Revaluation reserve	889,771,035	832,206,789
Fair Value Reserves	17,267,374,821	15,324,332,981
Retained earnings	12,903,869,852	11,912,849,789
Share Capital	936,807,234	936,807,234
Grant	3,511,986,250	3,511,986,250
Total Funds	**35,509,809,192**	**32,518,183,042**
Total Borrowings	1,356,220,179	1,368,129,539
Less: Cash and Bank balances	(3,154,516,427)	(2,504,801,058)
Net Debt/ (Excess Cash and Cash Equivalents)	1,798,296,249	1,136,671,519
Gearing	3.82%	4.21%

44. Incorporation

Kenya Development Corporation is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.

45. Events after the Reporting Period

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

46. Currency

The financial statements are presented in Kenya Shillings (Ksh)

47. Comparative Figures

Kenya Development Corporation was incorporated on 27th November 2020 to merge the operations of Tourism Finance Corporation, Industrial and Commercial Development Corporation and IDB Capital Limited and it started operations on 1st July 2021. The comparative figures given in the financial statements are the combined figures of the three former entities for the period ended 30th June 2021.

XIX.Appendices

Appendix 1: Implementation Status of Auditor-General prior year recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	The statement of financial position reflects trade and other receivables amount of Ksh. 1,055,856,671 which includes debtors totalling to Ksh 228,650,735 which relate to financial year 2019/2020 and prior years. However, no recovery has been made from the debtors, an indication that the Management has not put in place adequate mechanisms to recover the debts. Further, review of sampled files for ex-tenants revealed that furniture and equipment held as security were auctioned but the proceeds were not sufficient to offset the rental debts' in the circumstances, the existence of a vibrant mechanism and an effective debt policy to ensure recovery of the debts could not be established.	"The investee hotels are still within the privatization programme and its expected that the corporation will recover from proceeds of the sale. The process is at due diligence and the reports were tabled to the privatization technical committee on 23rd February 2023. The process will continue to The National Treasury and Cabinet before actual sale process begins. Since the hotels are not operational; the corporation has no other means to recover the debts. This process is not within management control but it will	Not Resolved	31st December 2023

		continue to work with other stakeholders in order to resolve the matter.		
	As reported in the prior year, Audit review of the Corporation's inventory of investments in properties indicated that during the year under review, the Board of Directors revised downwards the sale prices for one of its housing projects, Zamia Heights, with a view to increasing demand for the units. As at 30 June, 2021, 11 out of 28 or 39% of Zamia Heights units completed in 2015 and 29 out of 36 or 81% of the units of Oceania Apartments completed in 2018 had not been sold. Records indicated that the Corporation incurs an average of Kshs.10 million each year to maintain the unsold units. The Corporation valued the remaining Zamia and Oceania units at Kshs.157,000,245 and Kshs.450,739,955 respectively as at 30 June, 2021. In view of the delay in the sale of a significantly large portion of the units in each of the two projects and the high costs incurred on their maintenance, the Corporation is yet to realize profit on the money invested in the projects.	As at 30th June 2022, 3 more units in Zamia had been sold while 5 more units in Oceania has been sold. The current adverse local and global economic environment has made it more difficult to sell the units but management has put in place measures to fast track the sales including enlisting the support of selling agents and enhanced marketing efforts through various channels.	Not resolved	31st December 2023
IDB 1	The auditor noted that of the Ksh.922,837,000 in respect of loans and advances to customers Ksh.283,996,000 was not secured with collateral that is readily realizable and marketable, adequate to cover exposure plus a reasonable margin and free of any encumbrances. Further, loans amounting to Ksh.327,303,000 were overdue as at 30 June, 2021 out of which loans amounting	The Corporation has developed a loans policy that ensures that all loans are adequately secured with security that is realizable. The policy also requires that the security offered be fully insured and the	Resolved	

	to Ksh.315,275,000 were used to procure machinery that was offered as security for loans, but were not insured as per Section 10.6 of the credit policy which requires that all insurable assets held by IDB as collateral to be insured at all times during the tenure of the loan for an amount equivalent to their replacement value or value and IDBs interest note on the policy.	Corporation's interest noted as a first loss payee.		
	The statement of financial position for the year ended 30 June 2021 reflects net Loans amount of Ksh.1,023,433,852. Included in the reported amount are loans totalling Ksh. 1,170,637,452 inclusion of provisions which have been delinquent for a period more than one (1) year. Although the recovery process is in progress, the management of the corporation has not employed adequate effort towards recovery of the loans since some cases of auctioning property held as security have been in court for more than five (5) years. In the circumstance the recoverability of the amounts could not be confirmed.	**Recommendation** Employ adequate effort towards recovery of the NPLs. The Corporation has made efforts and has collected Ksh.48.2 million from the accounts although interest accrual has continued in some of the accounts. The Corporation has entered into negotiations with some of the borrowers on some acceptable repayment arrangements while in other cases the process of selling the securities will continue to be pursued. Our legal teams are also pursuing finalization of cases in court which hinder us from selling the securities.	Not resolved Not resolved	3/31/2023 Continuous
ICDC	The statement of profit or loss and other comprehensive income reflects administrative costs of Ksh. 750,893,416, as disclosed in Note 10 to the financial statements. Included in this figure	The Head of Public Service vide a letter Ref OP/CAB/9/1/5 dated 2nd October 2020 directed that the	Not Resolved	30th June 2023.

	are other operating expenses of Ksh. 197,383,214, which further includes Ksh. 30,682,184 that relates to allowances paid to members of the inter-agency taskforce on merging of ICDC, IDB Capital and Tourism Finance Corporation, into Kenya Development Bank. Available information indicates that the Salaries and Remuneration Commission (SRC) vide letter Ref: SRC/TS/AG/3/37 VOL.VIII dated 30 July 2020, approved payment of allowances to members of the inter-agency taskforce, for a maximum of 15 days per month for six months, at specified rates based on level of responsibility, for the financial year 2019/2020. Further, the Principal Secretary, National Treasury vide letter Ref: ZZ/37/014 dated 30 January 2020 extended the appointments of the members of the taskforce to 31 July 2020. The taskforce was in operation for hundred and eighty (180) days, which was double the duration approved by SRC. The members of the taskforce continued in operation from August 2020 to June 2021 (FY 2020-2021) and were paid allowances totalling Ksh. 12,833,900 for that period without approval by SRC. In addition, there was no evidence of extension of appointment for the taskforce members for this period.	merger process be revived and for the merger implementation committee to fully implement the merger process. The payment of the allowances to the members of the Inter-Agency task force was done on instruction from The National Treasury who were coordinating the exercise. Management will engage The National Treasury with a view of having the expenditure ratified.		
	The financial statements under personnel costs reflects staff group life and personal accident cover expenditure of ksh.8,473,643 for the year ended 30 June 2021. However,	The expenditure on group life and personal accident cover reported Ksh 8,473,643 for the current 2020/2021FY as per your	Resolved	

	contract documents and insurance policy documents were not availed for audit verification.	observation. Management wishes to respond that Group Life Assurance and personal accident cover for the current 2020/2021FY was more than that of the previous year as it included Ksh 6,766,560 as Death-In-Service Benefits that were accrued in the current year 2020/2021FY. A copy of the standing Staff Group Life policy from which annual premiums are invoiced was provided		
	The administration account was overdrawn by Ksh. 705,447 without the requisite authority contrary to Section 28 (4) of the Public Finance Management Act, 2012 which states that, an Accounting Officer of a national government entity shall not cause a bank account of the entity to be overdrawn beyond the limit authorized by the National Treasury or a board of a national government entity. Consequently, Management was in breach of the law.	The bank reconciliation showed the uncleared amounts as regards the bank balance and cash balance. These were adjusted against the bank balance as reported in the reconciliation thus resulting into an overdrawn cash book balance of Ksh 705,447.89 (i.e. negative balance). The actual bank account was not overdrawn.	Resolved	
	The trial balance provided for audit review had various items which ought to be treated as adjusting items such as the opening balances for cash and cash equivalents. The trial balance also reported net book values for non-current assets and depreciation separately. Further, the surplus for the year was included in the	The Trial Balance was corrected.	Resolved	

	trial balance and the credit and debit column did not balance. Consequently, the inaccuracies in the trial balance casts doubts on the accuracy of the balances in the financial statements.			

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Name
Norah Ratemo
Acting Director General