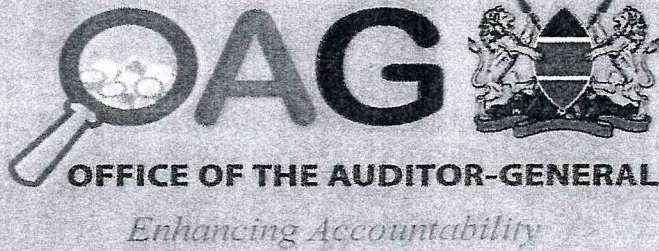


REPUBLIC OF KENYA



REPORT

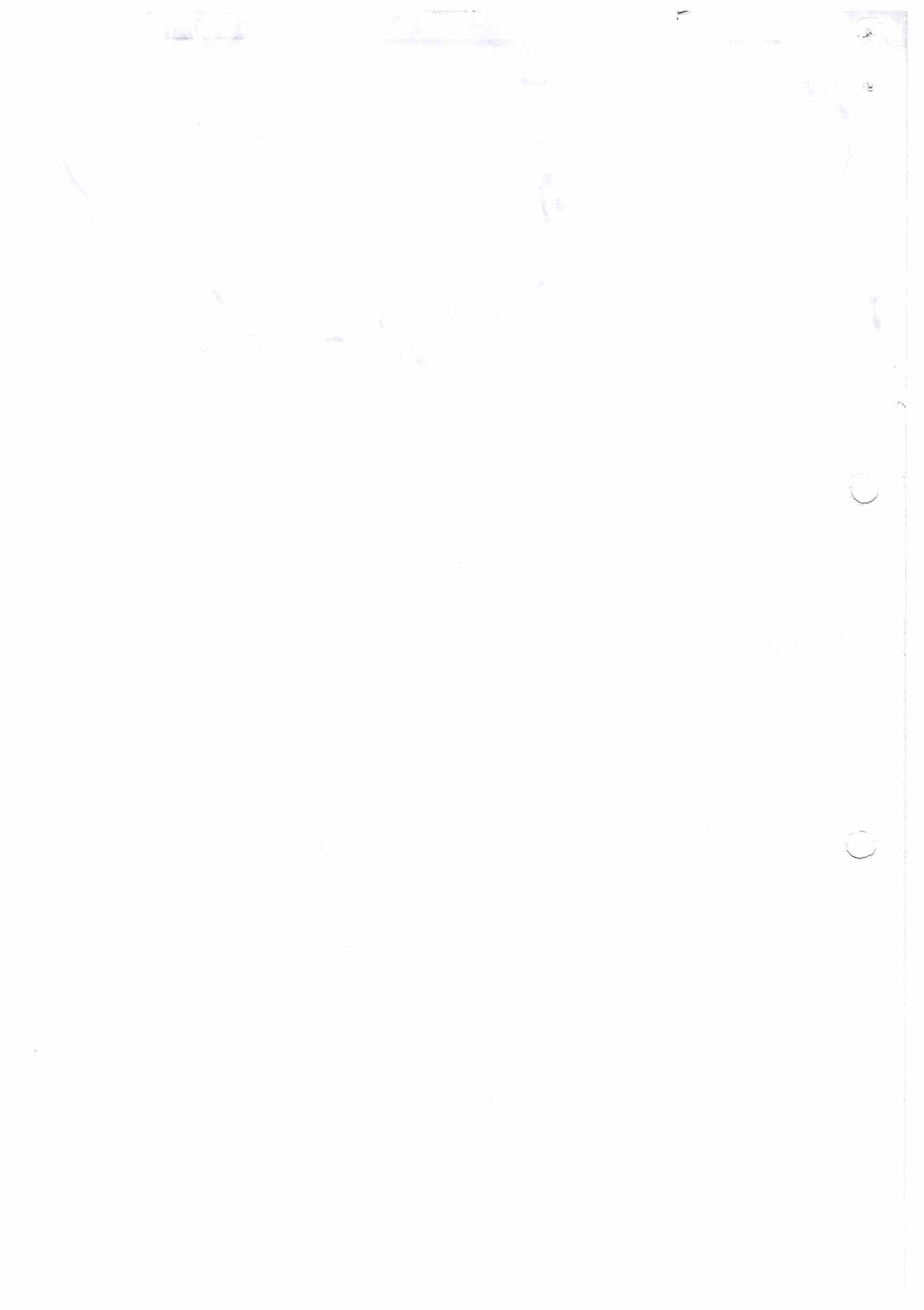
OF

THE AUDITOR-GENERAL

ON

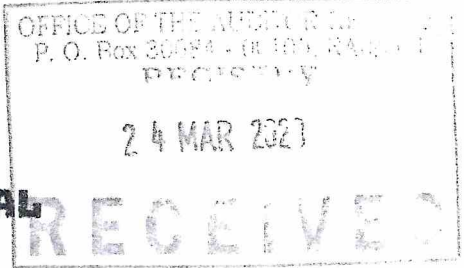
KENYA INDUSTRIAL ESTATES LIMITED

**FOR THE YEAR ENDED
30 JUNE, 2022**





**KENYA
INDUSTRIAL
ESTATES**



KENYA INDUSTRIAL ESTATES LTD

ANNUAL REPORTS 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)

TABLE OF CONTENTS

II.	THE BOARD OF DIRECTORS	
III.	MANAGEMENT TEAM.....	11
IV.	CHAIRPERSON'S STATEMENT	14
V.	REPORT OF THE CHIEF EXECUTIVE OFFICER	16
VI.	STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022 18	
VII.	CORPORATE GOVERNANCE STATEMENT	21
VIII.	MANAGEMENT DISCUSSION AND ANALYSIS	25
IX.	ENVIRONMENTAL AND SUSTAINABILITY REPORTING.....	30
X.	REPORT OF THE DIRECTORS.....	33
XI.	STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	34
2.	REPORT OF THE INDEPENDENT AUDITORS ON KENYA INDUSTRIAL ESTATES LTD	35
3.	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 TH JUNE, 2022	36
4.	STATEMENT OF FINANCIAL POSITION AS AT 30 TH JUNE, 2022	37
5.	STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 TH JUNE, 2022	38
6.	STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 TH JUNE, 2022	39
7.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE PERIOD ENDED 30 TH JUNE, 2022	40
8.	NOTES TO THE FINANCIAL STATEMENTS.....	41
	APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	76
	APPENDIX II: PROJECTS IMPLEMENTED BY KIE	78
	APPENDIX III: INTER-ENTITY TRANSFERS	78
	APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES	79
	APPENDIX V: LIST OF BANK ACCOUNTS AS AT 30 TH JUNE 2022	79

KEY INFORMATION OF KENYA INDUSTRIAL ESTATES LIMITED

Background information

Kenya Industrial Estates Ltd was established as a Limited Liability Company under the Companies Act in 1967. At Cabinet level, the Cabinet Secretary represents the company for Industry, Trade and Enterprise Development, who is responsible for the general policy and strategic direction of the company. The company is domiciled in Kenya.

Principal Activities

The principal activity of the company is to promote and facilitate industrialisation through the provision of credit facilities, business advisory services and industrial work spaces.

Vision

To lead in the development of vibrant and sustainable Micro, Small and Medium Enterprises in Kenya.

Mission

To empower MSMEs in value addition by providing industrial incubation, affordable finance, and business advisory services *to support industrialization* for job and wealth creation (in Kenya).

Core Values

The Company upholds the following values;

- Integrity
- Professionalism
- Equity
- Accountability

Acronym: IPEA

Directors

The Board of Directors is appointed in line with the Provisions of section 6 of the State Corporations Act (Chapter 446) Laws of Kenya.

The provisions of section 6 provide that the Board shall comprise of:

- a) A Chairman appointed by the President who shall be non-executive unless the President otherwise directs;
- b) The Chief Executive;
- c) The Principal Secretary of the Parent Ministry;
- d) The Principal Secretary to the National Treasury; and
- e) Not more than seven other members not being employees of the state corporation, of whom not more than three shall be public officers, appointed by the Cabinet Secretary.

The appointment is by name and by notice in the Gazette and is for a renewable period of three years or for such shorter period as may be specified in the notice.

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

No	Name	Position	Appointment date
1	Muthoni Kimani, MBS, EBS	Chairman	Appointed Chairman of the Board of Directors on the 6 th October, 2021
2	Bob Karina	Director	Appointed on the 02/10/2015 Reappointed Director on 19/12/2018 left on 18/12/2021
3	Dr. Parmain ole Narikae, PhD, MBS	Managing Director	Appointed on 5/9/2016
4	Geoffrey Mwitari	Alternate Director to Principal Secretary, The National Treasury	Appointed on 14/10/2015 Left on 31/01/2021
5	Lucas Kirui	Director	Appointed on the 02/10/2015 Reappointed on 14/12/2018 Left on 13/12/2021
6	Neto Agostinho	Director	Appointed on 14/12/2018 Left on 13/12/2021
7	Harriette Igonanga Chiggai	Director	Appointed on 14/12/2018 Left on 13/12/2021
8	Mark Kebenei	Director	Appointed on 14/12/2018 Left on 13/12/2021
9	Evelyn Waithira Mwithirania	Director	Appointed on 14/12/2018 Left on 13/12/2021
10	Nicholas Kamau	Alternate Director to Principal Secretary, State department for Industrialization	Appointed on 29/04/2021

Kenya Industrial Estates Limited

**Reports and Financial Statements
For the year ended June 30, 2022**

Manager, Legal Services & Company Secretary

Charity Ndeke

P.O. Box 78029-00507

Nairobi.

Registered Offices

KIE Building

Likoni/ Lusingeti road

P.O. Box 78029-00507

Nairobi, KENYA

Corporate Headquarters

P.O. Box 78029-00507

KIE Limited Building

Likoni/ Lusingeti Road

Nairobi, KENYA

Corporate Contacts

Telephone :(254) 6651348/53

E-mail: admin@kie.co.ke

Website: www.kie.co.ke

Corporate Bankers

1. National Bank of Kenya Ltd
Harambee Avenue
P.O. Box 72866-00200
Nairobi, Kenya
2. Kenya Commercial Bank Ltd
P.O Box 48400-00100
Nairobi, Kenya
3. Standard Chartered Bank Kenya Ltd
P.O Box 30001-00100
Nairobi, Kenya
4. Cooperative Bank of Kenya Ltd
P.O Box 48231-00100
Nairobi, Kenya

Kenya Industrial Estates Limited

**Reports and Financial Statements
For the year ended June 30, 2022**

Independent Auditors

Auditor General

The office of Auditor general

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

II. THE BOARD OF DIRECTORS



1. Miss Muthoni Kimani LLM, PGD,
MBS, EBS
Chairman Board of Directors

Muthoni Kimani is a lawyer by profession who has practiced law for over 35 years. She has worked in the office of the Attorney General rising to the position of senior deputy solicitor general and director, CEO of the asset recovery agency. Ms. Kimani holds LLB degree from the University of Nairobi and a Post graduate diploma from the Kenya School of Law having been called to the Bar in 1985. She is a member of the Chartered Institute of Arbitrators (UK), the International Bar Association and the Law Society of Kenya. She is also an active member of the IBA, Assets Recovery Sub Committee which was set up by the IBA under the Business Crimes Committee, which deals with fighting Business crimes and corruption.

She has attended several international workshops and conferences including OECD, UNODC, WORLD BANK on crime prevention, criminal justice particularly on combating terrorism, money laundering, corruption, human and wildlife trafficking, cybercrime, and other white collar crimes. She was head of Kenya's delegation at the Crime Prevention and Criminal Justice Congress in Doha May 2015 which passed the resolution on integrating criminal justice for sustainable development which was adopted by the UN General Assembly in December 2015.

She has a vast experience in civil litigation and has represented the government in major constitutional, judicial review litigation. She has also represented the government in several international commercial arbitrations, investor state disputes under different international arbitral rules such as ICSID, UNCITRAL and the ICC rules.

She has a wide experience in policy matters, management and corporate governance. She's passionate about combating international organized crimes, including corruption and money laundering and mutual legal assistance.

In 2014, she set up the Kenyan Assets Recovery Agency and successfully handled many cases which led to the recovery of assets found to be proceeds of crime. She was also instrumental to the establishment of the multi-agency approach adopted in combating corruption and money laundering. In recognition of her work in reforming the civil litigation department of the office of the Attorney General, H.E. The President of Kenya awarded her the honors of the Moran of the Burning Spear (MBS); in 2020, she received the honors of EBS in recognition the Assets Recovery Agency's success.



2. Amb. Peter Kaberia, CBS
Principal Secretary,
State Department for
Industrialization

Ambassador Kirimi Kaberia is a career Diplomat having served in many countries. He was the Principal Secretary for State Department for Mining & Petroleum before his posting to the State Department for Industrialization. Ambassador Kaberia has served in different levels in government prior to joining the State Department for Industrialization. Some of his previous assignments include:
January 2020 - February 2021: Principal Secretary, State Department for Mining & Petroleum;
April 2017 – January 2020: Principal Secretary State Department of Sports Development;
2016 – April 2017: Principal Secretary Defence;
2010 – 2016: Ambassador Extraordinary and Plenipotentiary to Brazil, Colombia, Venezuela, Chile, and Argentina;
2007 – 2010: Deputy Ambassador and Head of Chancery Kenya Embassy in Madrid, Spain;
2006 – 2007: Counsellor and Head of Chancery, Kenya Embassy in Paris and the Holy Sea;
2004 – 2006: Director for Research and ICT, Ministry of Foreign Affairs; 2002 – 2004: Counsellor Kenya Embassy in Washington DC; 1994 – 2002: Director for International Programs, Les Aspains Centre in Washington DC. Amb. Kirimi Kaberia holds a Master's Degree in International Law (LLM). He is also a holder of a Degree in Journalism and Communication. Ambassador Kaberia was also educated in Kenya, the United States, and Spain.



3. Dr. Parmain ole Narikae
Managing Director

Dr. Parmain ole Narikae is the Managing Director. He holds Doctorate in Business Administration. He also holds an MBA and Bachelor of Science Degree in Business Administration (First class honors) from United States International University. He has wide experience as a career banker having served in senior leadership position as Chief Manager, General Manager and Executive Director in Co-operative Bank and Chase Bank. He is a member of the Institute of Directors.

He joined on 5th September, 2016.



4. Bob Karina
Director

Bob Karina is the Founder, Chairman of Faida Investment Bank, Corporate Finance Specialist, an accomplished Stockbroker and Research Analyst. He is the Vice Chairman, Nairobi Securities Exchange (NSE), Chairman of the Rwanda Stock Exchange, Chairman of Norwich Union Properties Ltd., Director Kenya Industrial Estates and served as Director of Kenya Private Sector Alliance (KEPSA) and Kenya National Chamber of Commerce and Industry (KNCC&I) among others.

Bob, holds a MSc in Corporate Finance from the University of Liverpool, UK, in addition to technical and professional qualifications from the Institute of Systems Science, National University of Singapore, International Statistical Programs Center, United States Bureau of the Census, USA, Hong Kong Polytechnic Industrial Center, Institute of Development Studies, University of Sussex, UK., E.A. Statistical Training Centre, University of Dar-es-Salaam, Tanzania and London Institute of Statisticians.

Bob is a Founder Member of the Institute of Certified Investment and Financial Analysts (ICIFA) and was awarded Commendation and admitted as a Fellow of the Institute for exemplary service rendered since inception.

Bob serves as the Chairman of the Association of Kenya Stockbrokers Nominees Ltd. He is a Member of the Institute of Directors, Director of the Central Depository and Settlement Corporation (CDSC), the NSE Clear Ltd., Trustee of both NSE Investor Protection Fund and NSE Derivatives Settlement Guarantee Fund.

Bob played a critical role in the establishment of the CDSC, the NSE Automated Trading System (ATS), the Wide Area Network and the Broker Back Office system at the NSE as the Chairman of the Implementation Committee that spearheaded developments in Kenya's Capital Markets.

For over two decades, Bob has acquired vast experience in Investment Banking and is passionate about supporting organizations improve their bottom line, list on the exchange, mergers and acquisitions, raise capital, grow and thrive.

He is married to Jennifer Karina, has three children and several grandchildren, enjoys jogging, swimming and playing golf.



5. CPA Geoffrey K. Mwitari
Alternate Director to Principal
Secretary, The National Treasury

CPA Geoffrey Mwitari holds an MBA in Strategic Management from Moi University. He is a Certified Public Accountant registered with ICPAK and has wide knowledge in Government Finance and Accounting. Currently working with the National Treasury, Directorate of Accounting Services.

He joined the Company on the 14th October, 2015.



6. Lucas Kirui
Director

Lucas Kirui holds a Diploma in Sales and Marketing and has experience in procurement management. He also has experience in Marketing and administration.

He joined the Company on the 2nd October, 2015 and was reappointed on 19/12/2018.



7. Mark K. Kebenei
Director

Mark K. Kebenei holds a Bachelor's of Science degree in Finance and Economics from the University of Birmingham, Alabama, USA. He is also pursuing his Executive Master's Degree (EMBA) from the University of Alabama, USA.

He is a seasoned Professional and Corporate leader and has vast knowledge in Financial Management, Investments and Institutions, and also a concentration on Analysis and Policy.

He is an established businessman in the petroleum and gas industry.

He joined the Company on 14/12/2018.



8. Evelyn Waithira Mwithirania, HSC
Director

Evelyn Waithira Mwithirania, HSC is a holder of Master's Degree in Communication from the University of Nairobi, and an Undergraduate Degree in Community Development from Daystar University.

She was conferred by H.E. Mwai Kibaki, an award in the order of the Head of State Commendation (HSC) for her immense contribution in championing Paradigm Shifts in Agribusiness and Civic Education to the Society.

Evelyn has had an iconic career in the media spanning over a decade, working with Kenya Broadcasting Corporation before moving to the Royal Media Services where she was recognized country-wide as the best Morning Show Hostess on a range of matters, majorly Agribusiness, Civic Education and emerging matters in business and Social Economic Affairs.

She has a blazing passion for empowering other people in the spheres economic and/or otherwise, and spends her free time educating the Public and Communities on various Empowerment Engagements.

She joined the Company on the 14th December, 2018.



9. Harriette Chiggai
Director

Harriette Chiggai is an Advocate of the High Court of Kenya. She is the President of the Law Society of Kenya. She has an MBA- Finance and Governance. She is a Certified Mediator (CPM) and a Certified Governance Trainer. She is a Member Mediation and Accreditation Committee of the Supreme Court of Kenya.

She is the Founder of the Face of Bar, the Western Jurists and the Nairobi County Youth Board Forums. She is also the Chairman and a Board member of Siasa Place.

She is a certified resident ambassador to the Netherlands having achieved the DVP world greatest potentials on the rule of law and governance.

She previously served as a Council Member Law Society of Kenya where she chaired in -house Committee and the Young Lawyers Committee (among founding members). She has also served as a member, Youth Committee- National Chambers of Commerce and Industry and Deputy Secretary General East Africa Law Society and Chaired the EALS Young Lawyers Committee (Caucus).

She has vast experience in Corporate Governance and Board Management. She is a Legal Consultant and trainer in the vast legal field Including Corporate Governance, labour laws, intellectual property and strategy and risk management.

She is passionate about leadership, governance, youth mentorship and development. She was nominated by PAW Africa as the 2015 Phenomenal African Woman of the year based on her contribution to mentorship programmes and progressive leadership and governance.

She joined the Company on the 14th December, 2018.



10. Neto Agostinho
Director

Neto Agostino is a trained Lawyer from the University of Nairobi. He participated in Human Rights events at the University of Nairobi named Africa's Fourth Best Oralist on issues Human Rights in 2004, at an event organized by Center for Human Rights, Pretoria, held at Dar es Salaam University. He is currently a masters Student on International Relations at the United States International University in Africa.

Neto represented Ndhiwa Constituency, in Homabay County at the National Assembly of Kenya, as a member of Parliament. He was first elected to Parliament in September 2012 following a by-election in the Constituency and got re-elected in March 2013.

He served in the Committees of Delegated legislation and Justice and legal Affairs at the National Assembly. He was the Vice Chair of Bunge Sports Club, and the Convener of the Parliamentary Caucus on Human Rights. He was also the v' Chair of Common Wealth Africa Parliamentary Human Rights Group.


Neto has a special interest in Human Rights and international Relations. He participates in various Human Rights related activities that range from equality to Economic Social Cultural rights. The legislations he championed in Parliament included amongst other laws, the Health Records and Information Managers Act, the Refugee Bill, The Reparations Bill and the Employment Skills Development bill.

Neto serves as an expert Human Rights Resource person, and has trained parliamentarians in the South East Asia region in March 2016 – Srilanka on the role of parliamentarians in promoting and protecting Human Rights. He participated in Human Rights panel discussions in Glion III hearings in Switzerland May 2016. He participated as an expert in Geneva, Switzerland to help draw recommendations for Human Rights Council on early child and forced marriages in November 2016. He has also participated as an expert at the World





Kenya Industrial Estates Limited

Reports and Financial Statements

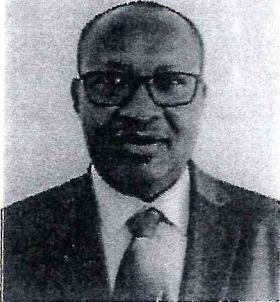



For the year ended June 30, 2022

	<p>Refugee Council session in Dar es Salaam Tanzania in 2018 to help highlight durable solutions for Refugees in Horn of Africa. He was a resource person in March 2019 for the Parliament of Georgia on Human Rights and National Security, a program of the European Union. He was a resource person for Parliamentarians in the Pacific region, on Human Rights and Protection of Human Rights at the Parliament of Tonga, courtesy of the Commonwealth Human Rights Secretariat, in April 2019.</p> <p>Neto Currently is the co-leader of the United Green Movement, a movement which amongst other things, seeks to help realize, civil, political economic, social cultural and Brotherhood Rights in Kenya. He is a member of the Board of Directors of Kenya's National Environmental Management Authority (NEMA).</p> <p>He joined the Company on 14/12/2018.</p>
 <p>11. Charity Ndeke Manager, Legal Services & Company Secretary</p>	<p>Charity M. Ndeke is an advocate of the High Court of Kenya. She holds a Bachelor of Laws Degree (LLB) from the University of Nairobi and a Post Graduate Diploma from the Kenya School of Law (KSL). She is also a Certified Secretary and a member of the Institute of Certified Secretaries.</p> <p>She has vast experience in Commercial law.</p> <p>She joined the Company in January, 2015.</p>





III. MANAGEMENT TEAM

 <p>1. Dr. Parmain ole Narikae Managing Director</p>	<p>Dr. Parmain ole Narikae is the Managing Director. He holds Doctorate in Business Administration. He also holds an MBA and Bachelor of Science Degree in Business Administration (First class honours) from United States International University. He has wide experience as a career banker having served in senior leadership position as Chief Manager, General Manager and Executive Director in Co-operative Bank and Chase Bank. He is a member of the Institute of Directors.</p> <p>He joined on 5th September, 2016.</p>
 <p>2. Monica C. Kotut Manager, Corporate Strategy and Planning</p>	<p>Mrs. Monica Kotut is currently the Manager, Corporate Strategy and Planning. She holds an MBA (HR Option) from Kenyatta University; Bachelor of Arts from Moi University and Higher National Diploma in Human Resource Management from the Institute of Human Resource Management (IHRM). She is member of the Institute of Human Resource Management. She joined KIE in 1994 as a Projects Officer and rose through the ranks to the current position.</p>
 <p>3. Joseph Otieno Ayieko Manager, Business Advisory Services</p>	<p>Mr. Joseph Ayieko holds an Msc in Entrepreneurship from Jomo Kenyatta University of Science and Technology, Bachelor of Business Administration with Information Technology, Diploma in Community Based Project Planning and Management, Diploma in Cooperative Audit, CPA- (Part II) and Certificate in Rural Credit Management, Certified ILO Trainer on Gender and Entrepreneurship, Certified in Strategic Management and Leadership. He has over Twenty-five (25) years of work experience within MSME Sector. He is a consultant and entrepreneurship trainer on sustainable rural economic empowerment, a trained Environmental Impact and Environmental Audit Assessor and a member of Eastern Africa Network for Gender and Enterprise Development Trust.</p>
 <p>4. Charity Ndeke Manager, Legal Services & Company Secretary</p>	<p>Charity M. Ndeke is an advocate of the High Court of Kenya. She holds a Bachelor of Laws Degree (LLB) from the University of Nairobi and a Post Graduate Diploma from the Kenya School of Law (KSL). She is also a Certified Secretary and a member of the Institute of Certified Secretaries.</p> <p>She has vast experience in Commercial law.</p> <p>She joined the Company in January, 2015.</p>

Kenya Industrial Estates Limited
 Reports and Financial Statements
 For the year ended June 30, 2022

 <p>5. CPA Charles M. Mativo Finance Manager</p>	<p>CPA Charles Mativo is an Accountant by profession and holds a Bachelor of Commerce degree from KCA University. He is a Certified Public Accountant CPA (K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He has experience in Accounting and Finance. He joined the company in 1985.</p>
 <p>6. Joseph K. Tele Manager, Industrial Estates Development & Incubations services</p>	<p>Mr Joseph K. Tele holds Masters of Business administration degree from Kenyatta University and Bachelor of Commerce Degree in Accounting and Auditing from University of Poona. He is currently pursuing masters of management and leadership degree at MUA. He joined KIE in 1987 as a projects Accountant and has previously held various management positions as Finance manager and Credit Risk Manager. Mr Tele is also a Board member of Kenegut Secondary School.</p>
 <p>7. Reginald Kimanthi Manager, Operations</p>	<p>Mr. Reginald Kimanthi is an economist by profession and holds a BA in Cooperative Management from Kenyatta University. He joined KIE in 1986 as a Projects Officer and rose through the ranks as Branch Manager, Regional Manager and Head of Department and is currently the Manager, Operations.</p>
 <p>8. CPA Teobard Mugo Manager, Internal Audit</p>	<p>CPA Teobard Mugo is an Accountant by profession and holds a Bachelor of Commerce degree from KCA University. He is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He is in charge of the Internal Audit Department. He joined the company in 1994.</p>

Reports and Financial Statements
For the year ended June 30, 2022

 <p>9. Dr. Doreen K. Kimathi Manager, Credit Department</p>	<p>Dr. Doreen Kimathi is currently the Manager in charge of Credit Department. She holds a PhD in entrepreneurship from Jomo Kenyatta University of Agriculture and Technology (JKUAT), an MBA (Strategic Management) from USIU-Africa and Bachelor of Commerce (Honours), Kenyatta University. She has vast banking and finance experience spanning over 13 years. She joined KIE in 2017.</p>
 <p>10. Moses Miano Manager, Risk Management</p>	<p>Mr. Moses Miano is a corporate risk specialist and strategist in communicating risk policies and processes for enterprises through research and skilful handling and interpreting data. He holds a Master's degree in Business Administration from the Nairobi University and a Bachelor's degree in science from Egerton University. He is a certified trainer of trainers in First aid and fire Marshal and also a graduate from Institute of Advanced technology. He joined KIE in 2021 from Absa Bank Kenya Ltd where he was risk manager</p>
 <p>11. Dennis G. Ong'aria Manager, ICT</p>	<p>Mr. Dennis G. Ong'aria is an ICT practitioner licensed by the Institute of Electrical and Electronics Engineers (IEEE). He holds a Bachelor of Science Degree in Information Technology and a Diploma in Information Systems Management. He is currently pursuing a Master of Science degree in Information Technology (MSc IT) at JKUAT.</p> <p>He joined KIE in November 2021 as Manager ICT</p> <p>He has over 8 years ICT Management experience in various State Agencies.</p>
 <p>12. Esther M. Mbula Manager, Human Resource and Administration</p>	<p>Esther Mbula is currently the Manager, Human Resource and Administration. She holds a Master of Business Administration (Human Resource Management) from Kenyatta University; Bachelor of Arts in Social Sciences from The Catholic University of Eastern Africa; Higher National Diploma in Human Resource Management from the Institute of Human Resource Management and Certified Human Resource Professional Kenya, CHRP (K) from the Human Resource Management Professionals Examinations Board (HRMPEB). She is a Full Member of the Institute of Human Resource Management (IHRM). She joined KIE in September 2022 as the Human Resource and Administration, Manager.</p>

IV. CHAIRPERSON'S STATEMENT



Dear Shareholders,

It gives me great pleasure to present to you 2021/2022 Annual Report and Financial Statements for Kenya Industrial Estates (KIE).

The period under review was a recovery period from the devastating effects of COVID -19 Pandemic with the rebound of the global economy. I am pleased to note that KIE cushioned Micro, Small and Medium Enterprises from negative effects of the pandemic by providing financial support and restructuring of loans facilities.

Micro, Small and Medium Enterprises (MSMEs) Market Overview.

The Kenya Economy rebounded from the crippling effect of Covid-19 pandemic to expand at 7.5 percent in 2021 compared to a contraction of 0.3 in 2020. This was mainly attributed to resumption of most economic activities supported by the lifting of the Covid-19 containment measures instituted to curb the spread of the virus. The lifting of ban was possible due to the scaling up of the capacity of medical facilities, the positive results of preventative measures, and the rapid deployment of vaccines.

The MSMEs sector plays a significant role in social economic transformation and industrial development of the country in line with vision 2030. With a high rate of unemployment in Kenya, the MSMEs provide an immense potential for providing job opportunities. MSMEs account for 93 per cent of total employment in Kenya and contribute about 23.6 per cent of GDP making them significant players in the economy.

Business Performance

Kenya Industrial Estates delivered a resilient performance in all the key result areas despite the challenging operating environment. The company provided credit to MSMEs amounting to Kshs.1.03 Billion in 2021/2022 FY, created 31,177 jobs, trained 56,854 entrepreneurs on business and technical skills and linked 5,624 entrepreneurs to markets, source of materials and technology. The company continued with its improved performance by posting a profit for a third year running signifying a complete turnaround.

Our Strategy

Kenya Industrial Estates is committed to championing the development of MSMEs in Kenya by ensuring the enterprises are incubated, provided with affordable credit, adequate workspace as well as develop their capacity in a sustainable way. Our strategy is anchored on four key result areas in line with our mandate. The Key result areas are: Financing, Industrial development, Business Advisory services and Institutional Development. These pillars will ensure that we achieve our theme of consolidating operational gains for growth and sustainability.

Kenya Industrial Estates Limited

Reports and Financial Statements
For the year ended June 30, 2022

Community Engagement

As a responsible corporate Citizen, we are committed to deliver our mandate in a responsible manner showing concern for the environment and communities within the areas we operate. During the period, our staffs were involved in community engagements and environmental conservation efforts in various parts of the country.

Outlook

The world economy is expected to remain robust in 2022 as the world copes better with Covid-19 pandemic. The global economy is projected to grow at 4.4 per cent in 2022. Sub-Saharan Africa is expected to grow by 3.8 percent in 2022.

On the domestic front, the country's macroeconomic environment is expected to remain stable in 2022 despite the likelihood of rise in inflation, weakening of Kenya Shilling and substantial rise in energy prices. A slowdown in economic activities is expected in 2022 due to the electioneering. The real gross domestic product (GDP) is projected to grow by 6.0 percent in 2022 supported by recovery in agriculture, industry and service sector.

Appreciation

I highly appreciate the Government of Kenya, through the Ministry of Industry, Trade and Enterprise Development and all the Ministries, State departments and Agencies that provided great support to the company during this period

To my fellow Board members, I express my gratitude for your priceless role and devotion to scale the company to greater heights.

To our esteemed customers, I express my highest regard for choosing the company as your number one partner in your entrepreneurship endeavours.

I wish to thank our competent, committed and dedicated management and staff for their steadfast and indefatigable efforts towards the realization of organization's mandate.


MUTHONI KIMANI, MBS, EBS
CHAIRPERSON, BOARD OF DIRECTORS

V. REPORT OF THE CHIEF EXECUTIVE OFFICER



I am delighted to present Kenya Industrial Estates annual report for the year ended 30th June 2022. This is a year which gave hope of business recovery from the devastating effects of the COVID-19 pandemic. Our business was resilient amid the uncertain business environment created by the pandemic and the organization was able to post significantly better results compared to the previous period.

Our Purpose

Kenya Industrial Estates (KIE) exists for the sole purpose of supporting industrialization through the development of Micro, Small and Medium Enterprises in the country. To execute our mandate, KIE uses a multipronged approach; we provide the MSMEs with credit finance facilities, Business and Technical Advisory Services (BAS), incubation facilities and linkages with markets and Technology.

Business Environment

The Kenyan economy recovered from the effects of the COVID-19 pandemic to expand by 7.5 per cent in 2021 compared to a contraction of 0.3 per cent in 2020. The recovery was mainly driven by the resumption of most economic activities after the lifting of the COVID-19 Containment measures instituted in 2020. Key sectors of the economy recorded improved performance including: Manufacturing (6.9%), wholesale and retail trade (7.9%), Real estate (6.7%), Transportation and storage (7.2%), and Financial and Insurance services activities (12.5%). The country's macroeconomic environment is expected to remain stable in 2022 despite the likelihood of a rise in inflation, weakening of the Kenyan shilling against its major trading currencies and a significant rise in energy prices. The negative impact of covid-19 on the MSMEs continued to be felt with most MSMEs in need of working capital to support their business recovery. Within the period under review, KIE rolled out targeted programs to cushion MSMEs from adverse effects of the pandemic.

Business Performance

The company recorded a remarkable performance in its operations in the year 2021/2022 despite the challenging business environment. The company provided credit to Micro, Small and Medium Enterprises amounting to Kshs. 1.03 Billion in 2021/2022 compared to Kshs. 982.3 Million in 2020/2021, trained 56,854 entrepreneurs on business and technical skills in 2021/22 compared to 42,173 entrepreneurs in 2020/2021, and linked 5,624 enterprises to markets, source of raw materials and technology in 2021/2022 compared to 4,312 linkages in 2020/2021.

Within the period under review, the company commenced implementation of the Kenya Industry and Entrepreneurship Project (KIEP) whose objective is to increase innovation and productivity in private sector firms with aim of benefiting an ecosystem of players.

Financial Performance

During the period under review, the Company posted a pre-tax profit of Kshs.52.34 Million compared to a pre-tax loss of Kshs. 23.27 Million in 2020/2021. Company assets increased to Kshs. 5.89 Billion as at 30th June 2022 compared to Kshs. 5.23 Billion as at 30th June 2021. The company has reported an increased profit and improved performance for the third year in a row signifying the strategies put in place in the recent past have begun to pay off.

Strategy

Our strategy is anchored on four key result areas in line with our mandate of facilitating Industrialization through development of Micro, Small and Medium Enterprises. These are: Financing, Industrial development, Business Advisory services and Institutional Development. The strategy will guide the company as we consolidate operational gains for growth and sustainability.

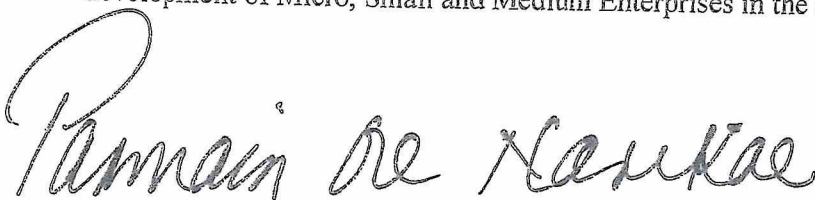
Our people

The organization's good results would not have been possible without the commitment and hard work of our people. Our employees are the most important link in provision of services to our customers and the company will continue to focus on capacity building and personal development of all employees to ensure they bring out their best.

Outlook

The global economy is projected to remain robust as the world copes better with Covid-19 Pandemic. Against this backdrop, the world trade is expected to remain strong and therefore supportive of external demand for Kenya goods and services.

The strategic efforts to de-risk the crucial Micro, Small and Medium Enterprises (MSMEs) sector will complement the organic rise in demand for credit from firms. Operational and credit risk will also abate as pandemic related uncertainty wanes, providing more room for balance sheet expansion. Liquidity risks will remain markedly subdued. This will create a favourable environment for KIE to support the development of Micro, Small and Medium Enterprises in the country.



DR. PARMAN OLE NARIKAE, PhD, MBS
MANAGING DIRECTOR

VI. 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.

Kenya Industrial Estates has 4 strategic pillars/objectives and 5 strategic objectives within the current Strategic Plan for the FY 2021-FY2023. These strategic pillars/objectives are as follows:

Pillar/Objective 1: *Financing*

Pillar/Objective 2: *Industrial Development (Infrastructure & Services)*

Pillar/Objective 3: *Business Advisory*

Pillar/Objective 4: *Institutional Strengthening*

Kenya Industrial Estates develops its annual work plans based on the above 4 strategic pillars/objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. Kenya Industrial Estates achieved its performance targets set for the FY 2021/2022 period for its 4 strategic pillars/objectives, as indicated in the diagram below: -

Strategic Pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Financing	• Mobilize resources to finance organizational activities	• Amounts mobilized	• Mobilize Kshs 884.5 billion from GoK and (Kshs 198.4 million) from other sources	• Received of Kshs 884.5 million GoK grant and 241.71 Million from other sources.
	• Increasing Disbursements	• Amounts disbursed	• Disburse at Kshs. 1.0 billion • Create 30,000 jobs	• Disbursed Kshs 1.03 billion • Created 31,177 jobs

Reports and Financial Statements
For the year ended June 30, 2022

Strategic Pillar	Strategic Objectives	Key Performance Indicators	Activities	Achievements
Pillar 2: Industrial Development (Infrastructure & Services)	• Increase availability of industrial workspace for MSMEs	• Number of new Industrial Parks developed	• 12 in Unserved Counties • 5 in high density areas	• Identified 12 sites in unserved counties for development of industrial sheds/parks
	• Accelerate the growth of MSMEs from Micro-small-medium	• Number of MSMEs incubated and/or scaled up	• 300	• Incubated 20 MSMEs
Pillar 3: Business Advisory	• Develop the Entrepreneurial Capacity of MSMEs	• No. Of Entrepreneurs Reached;	• Train 43,400 entrepreneurs • Facilitate creation of 4,260 linkages	• Trained 56,854 entrepreneurs • Created 5,624 linkages
Pillar 4: Institutional Strengthening	Enhance Risk Management	Compliance with risk management	100%	• Fully complied with risk management
	Enhance Corporate Image	Brand awareness	100%	• Participated in Kericho SME Expo 2021 held on 20-21 May 2022, at Kericho Golf Club. • 60 SMEs drawn from Kericho County and the larger North and South Rift region exhibited in the event. • The company participated in 3 rd SME Expo and participated in Nakuru ASK held on 29 th June – 2 nd July 2022.

Kenya Industrial Estates Limited

Reports and Financial Statements

For the year ended June 30, 2022

Strategic Pillar	Objective	Key Performance Indicators	Actual Performance	Achievements
				<ul style="list-style-type: none"> ◦ Print and electronic media presence (Newspaper features and pictorial illustrations; Posts on Twitter, Facebook and YouTube) ◦ Rebranding of company image: Launched new corporate colours, logo and website on 16th September, 2022 officiated by Cabinet Secretary of Industrialization, Trade and Enterprise Development ◦ Traffic on social media has continued to increase as we update the public on our events, our day to day operations and general information on entrepreneurship and SME productivity, growth and sustainability.
	Efficient Internal Systems and Processes	Service delivery Turn Around Time (TAT)	Improve loan disbursement turnaround time from 43.5 days to 42 days	◦ TAT of 40.17 days
	Financial Sustainability	Profitability	Post a pre-tax profit of Kshs 4.8 million	◦ Achieved a Profit of Kshs 52.34 million
		Return on Investment (ROI)	0.07%	0.89%

VII. CORPORATE GOVERNANCE STATEMENT

To strengthen accountability and to build confidence among stakeholders, KIE is committed to sound principles of corporate governance and sustainability. The Kenya Industrial Estates (KIE) Board of Directors is responsible for the long term growth and the profitability of the company, whilst being accountable to shareholders, compliance with the law and maintaining the highest standards of Corporate Governance and business ethics.

The Organization has adopted high ethical standards and applies strict rules of conduct based on the best corporate practices. As part of this commitment, the Board adheres to good corporate governance and has embraced the following principles:

1. Observing high standards of ethical and moral behaviour;
2. Acting in the best interest of the Company;
3. Remunerating and promoting fairly and responsibly;
4. Recognizing the legitimate interests of stakeholders;
5. Ensuring that the Company acts as a good corporate citizen.

The Board Charter spells out the roles, composition and responsibilities of the Board of Directors.

The Board of Directors

The Board of Directors is the highest governing body of the Company. The Board is appointed within the provisions of Section 6 (1) (e) of the State Corporations Act. The Board exercises leadership, enterprise integrity and judgement in directing the Organisation so as to achieve sustainability. The Board, at all times, acts in the best interest of the Organisation and in a transparent manner with integrity, accountability and responsibility. Removal of the members of the Board is done in accordance with the provisions of Section 7 of the State Corporations Act or by resignation.

Role and Functions of the Board

In providing leadership and strategic direction to the Company, the Board is tasked with the following key responsibilities:

1. Determining the business strategies, plans and policies that underpin the corporate strategy;
2. Discussing and approving strategic plans, policies and annual budgets;
3. Continually monitoring the exercise of delegated power by management;
4. Ensuring that a comprehensive system of policies and procedures is in place and that appropriate governance structures exist to ensure the smooth, efficient and prudent stewardship of the company;
5. Identifying and reviewing key risks, opportunities and strengths relating to the Company;
6. Ensuring that the company's organisational structure and capability are appropriate for implementing the chosen strategies;
7. Setting policies on internal control and obtaining regular assurance that the system is functioning effectively and is effective in managing risks;

Board members are inducted and continuously trained to enrich their skills as they steer the Company to higher levels. Their performance is evaluated yearly.

In discharging their roles, the Board members are required to declare any conflict of interest or the absence of the same in all matters.

Board members are also expected to continually adhere to the code of conduct and ethics as stipulated in the Mwongozo Code of Governance for State Corporations. Governance audit is carried out to promote appropriate ethics within the organisation.

Board Committees:

For efficient decision making by the Board in discharging its duties and responsibilities, the following Board Committees have been set up and meet under well-defined terms of reference.

1. Finance and Investment Committee;
2. Audit Committee;
3. Human Resource and Legal Committee;
4. Resource Mobilization Committee.

The Board defines terms of reference under which the respective Committee's operate. The Company Secretary is the secretary to all the Board Committees except the Audit Committee where the Head of Internal Audit is the secretary. The Committees submit reports of their activities to the Board.

Finance and Investment Committee

The objective of the Committee is to provide leadership in the achievement of attractive returns on the Company's equity, to deliberate on the prudence of financial management and to review the asset mix and volumes, return on investment in order to achieve the institution's short-term and long-term goals.

The membership of the Finance and Investment Committee is as follows:

1. Mark Kebenei - Chairperson
2. Bob Karina
3. Agostinho Neto
4. Harriette Chiggai
5. Simon Atebe (Alternate to the Principal Secretary (PS), State Department for Industrialisation)
6. Geoffrey Mwitari (Alternate to the Cabinet Secretary, (CS), The National Treasury)
7. Lucas Kirui

Audit Committee

This is an oversight Committee of the Board. The Committee assists the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparations of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards. The Committee reviews and assess the integrity of the risk control systems and ensure that the risk policies and strategies are effectively managed.

The membership of the Audit Committee is as follows:

1. Bob Karina - Chairperson
2. Agostinho Neto
3. Lucas Kirui

Reports and Financial Statements
For the year ended June 30, 2022

4. Simon Atebe - (Alternate to the PS, State Department for Industrialization)
5. Geoffrey Mwitari (Alternate to the Cabinet Secretary, The National Treasury)
6. Evelyn Waithira Mwithirania
7. Harriette Chiggai

Human Resource and Legal Committee

The Committee's principal objective is to recommend to the Board strategic directions in matters relating to HR and legal compliance.

The membership of the Human Resources and Legal Committee is as follows:

1. Evelyn Waithira Mwithirania - Chairperson
2. Bob Karina
3. Geoffrey Mwitari (Alternate to the Cabinet Secretary, The National Treasury)
4. Lucas Kirui
5. Mark Kebenei

Resource Mobilization Committee

The Committee's main objective of the Resource Mobilisation Committee is to create a pool of resources to ensure adequate resources are available to fund KIE activities in the foreseeable future. The Committee's aim is to ensure that KIE is sustainable in the foreseeable future.

The membership of the Resource Mobilization Committee is as follows:

1. Neto Agostinho - Chairperson
2. Harriette Chiggai
3. Evelyn Waithira Mwithirania
4. Mark Kebenei
5. Simon Atebe - (Alternate to the PS, State Department for Industrialization)

Board Meetings

The Board of Directors meets regularly as required in order to effectively and efficiently monitors the implementation of the Company's planned strategy, review it in conjunction with its financial performance and business development and approve issues of strategic nature. Specific reviews are also undertaken on operational issues and future planning.

The Notice and Agenda and detailed Board Papers of meetings are circulated on a timely basis to ensure that the directors receive accurate, timely and clear information to enable them discharge their duties.

Kenya Industrial Estates Limited

Reports and Financial Statements

For the year ended June 30, 2022

The Board held 1 meeting during the year under review. The attendance was as follows:

Name Of Non-executive Director	Expected No. of meetings in the year 2020/2021	No. of meetings attended	% Attendance
Muthoni Kimani	1	1	100%
Bob Karina	1	1	100%
Lukas Kirui	1	1	100%
Harriette Chiggai	1	1	100%
Mark Kebenci	1	1	100%
Evelyn Waithira Mwithirania	1	1	100%
Agostinho Neto	1	1	100%
Simon Atebe	1	1	100%
Geoffrey Mwitari	1	1	100%

Board Remuneration

Board members are remunerated in accordance with the relevant legislative provisions and/or guidance by the State Corporations Advisory Committee. Details of Directors emoluments during the year are shown on page 66 note 28 (c). Directors are entitled to sitting allowance for every meeting attended, lunch allowance, subsistence allowance and mileage reimbursement where applicable within set limits. In addition, the Chairman is paid a monthly honorarium.

Directors Shareholding

None of the Directors owns shares in the Company in their individual capacity.

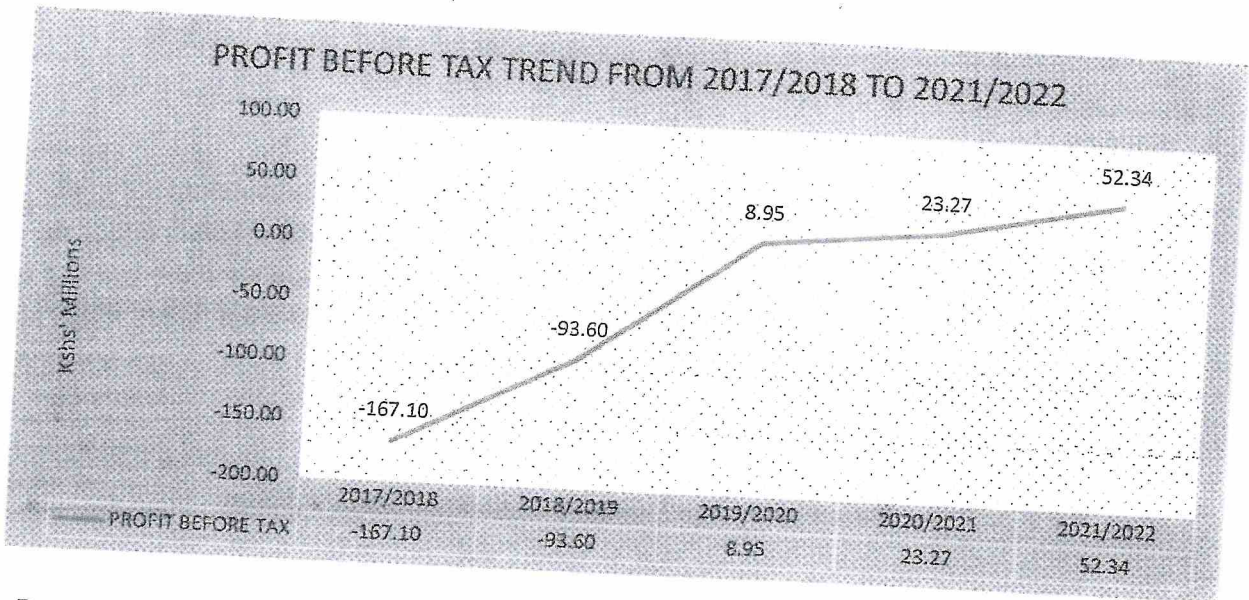
VIII. MANAGEMENT DISCUSSION AND ANALYSIS

1. Financial Performance

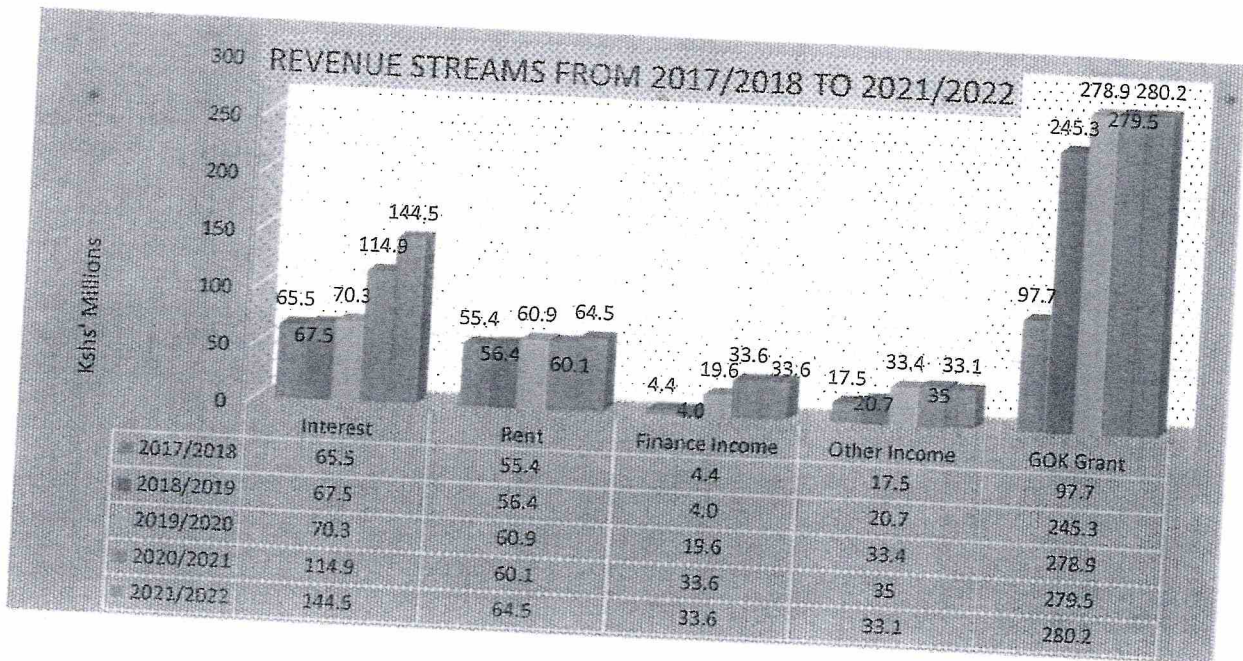
(a) Pre-tax

During the Financial year 2021/2022, the Company posted a pre-tax profit of Kshs.52.34 Million. This compares to Kshs. 23.27 pre-tax profit for the last financial year, 2020/2021, a pre-tax profit of Kshs. 8.95 million for the financial year 2019/2020, a loss of Kshs 93.5 in the 2018/2019 financial year and a loss of Kshs 167.1 on the 2017/2018 financial year. The overall Return on investment for the financial year is 0.89%.

Profit before Taxation Trend for the last five years



Revenue Streams Trend for the last five years

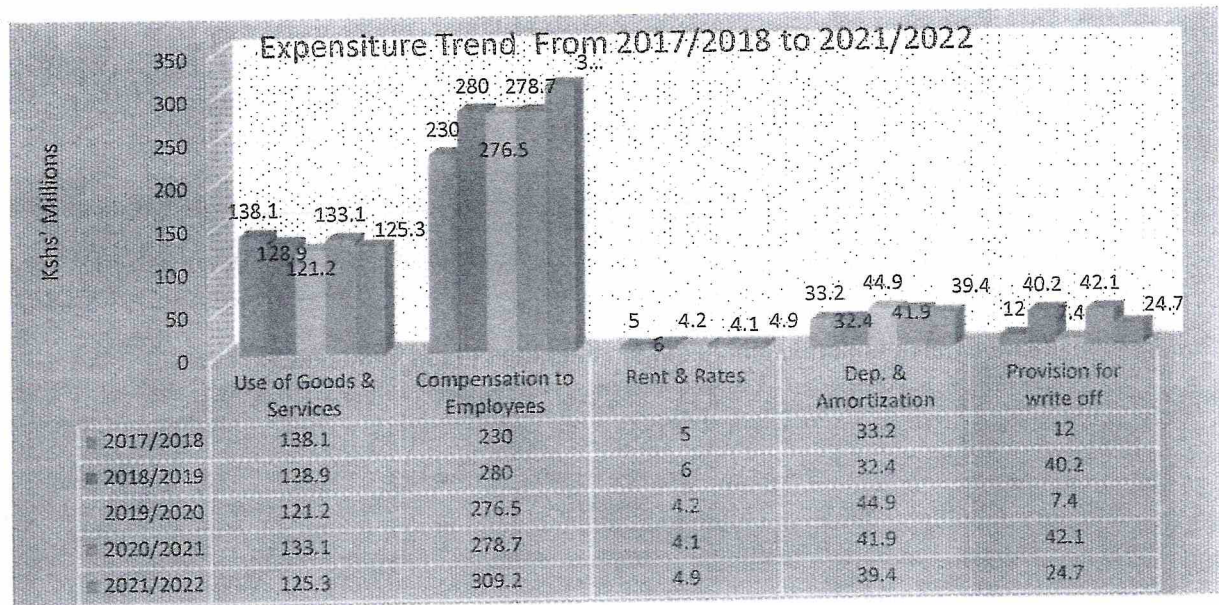


Kenya Industrial Estates Limited

Reports and Financial Statements

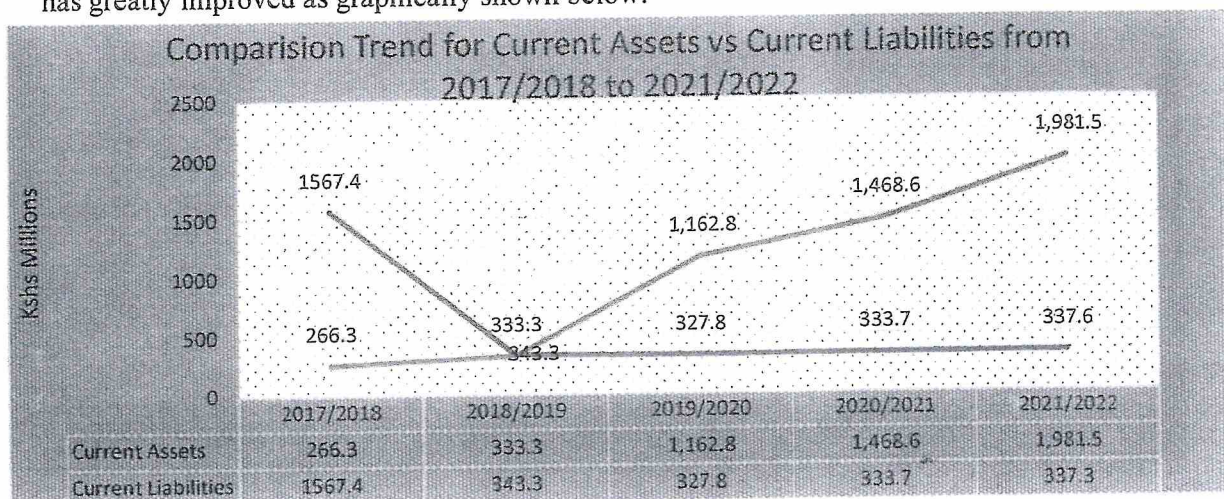
For the year ended June 30, 2022

The Company's operating expenditure for the financial year under review was Kshs 503.50 million compared Kshs. 499.87 in the last financial year, 2020/2021, Kshs 454.21 million in the financial year 2019/2020, Kshs 487.45 million in the financial year 2018/2019 and Kshs 407.45 million in the financial year 2017/2018.



(b) Company Financial Position

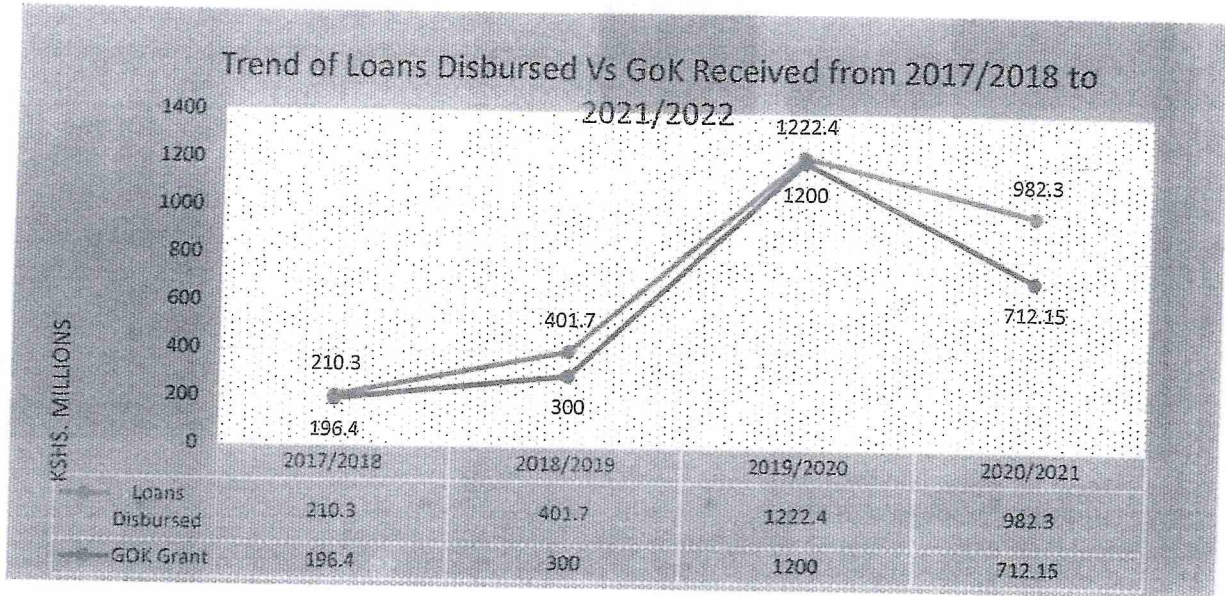
The company total assets as at 30th June, 2022 stood at Kshs.5.89 Billion compared to Kshs. 5.23 Billion for the last financial year, 2020/2021, Kshs 4.5 Billion for the Financial Year 2019/2020, Kshs 3.29 Billion for the 2018/2019 Financial year and Kshs 3.32 Billion for the 2017/2018 Financial Year. The company current assets amounted Kshs 1.98 Billion compared to current liabilities of Kshs 337.3 Million. Current assets for the same period last year amounted to Kshs. 1.47 Billion compared to Current liabilities of 333.7 Million. Current assets for financial year 2019/2020 amounted to Kshs.1.16 Billion while current liabilities for same period amounted to Kshs.327.8 Billion. Current Assets for the financial year 2018/2019 were Kshs 333.3 Million while current liabilities were Kshs 343.3 Million and for the Financial Year 2017/2018, current assets were Kshs 266.3 Million while current liabilities were Kshs' 1.57 Billion. The organizations financial position has greatly improved as graphically shown below:



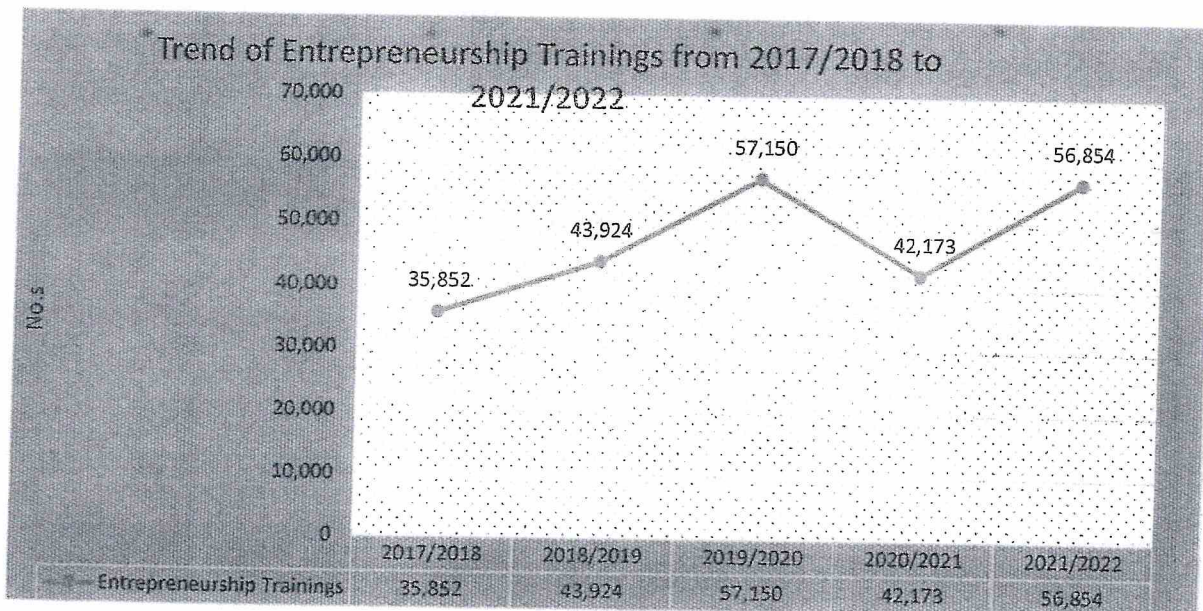
2. Operations

KIE has products designed to meet the needs of customers. There was a marked improvement in performance during the period under review compared to the previous period as demonstrated below:

a) **Credit to SMEs:** For the period under review, the company disbursed Kshs 1,028.9 Million to SMEs. This compares to Kshs. 982.30 Million in the financial year 2020/2021, Kshs.1222.4 Million disbursed in the 2019/2020 Financial Year, Kshs 401.7 in the financial year 2018/2019 and Kshs 210.3 Million in the financial year 2017/2018. This is graphically depicted below.



b) **Entrepreneurship Training:** For the period under review, the company trained to 56,854 SMEs across the country. This compares to 42173 SME's trained in 2020/2021, 57150 SMEs trained in 2019/2020 Financial year, 43,924 trained in 2018/2019 Financial Year and 35,852 SMEs trained in the 2017/2018 Financial year as shown in the table below.

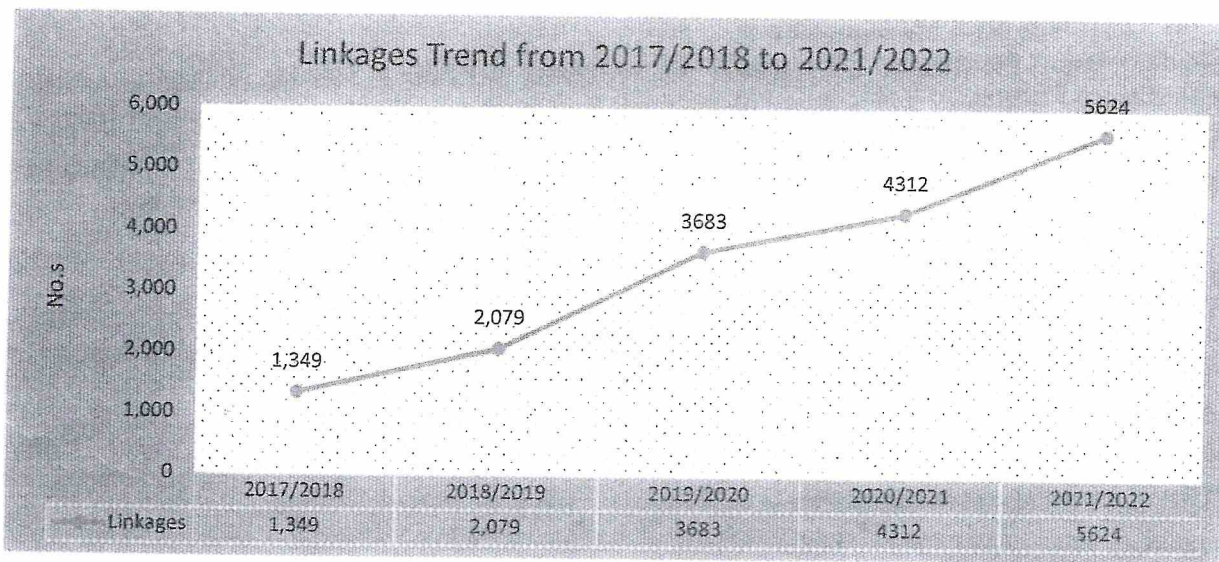


Kenya Industrial Estates Limited

Reports and Financial Statements

For the year ended June 30, 2022

c) **Linkages:** For the period under review, the company recorded 30.89 % growth in linkages of SMEs to large enterprises, market and suppliers of machinery. The company linked 5,624 SME'S compared to, 4,312 SMEs in the previous year, 3,683 linkages in the financial year 2019/2020, 2,079 Linkages in the Financial year 2018/2019 and 1,349 Linkages in the Financial year 2017/2018. This is depicted in the table below.



3. Key projects and investment being implemented by KIE

The company is currently implementing one project namely Credit to Small and Medium Enterprises.

Credit to Small and Medium Enterprises (SMEs)

This project aims at providing affordable medium to long-term credit to SMEs in the manufacturing sector which is core to the country vision of becoming a newly industrialized, globally competitive and prosperous middle income country by year 2030. The total project cost is estimated at Kshs.5.35 Billion and is being implemented up to 2024/2025. The expected outputs of the project are: Disbursement of Kshs.5.35 Billion to SMEs, Creation of 10,700 new enterprises and Creation new 160,500 jobs. Other benefits of the project are: Stimulating rural industrialization, Wealth Creation, Equitable distribution of wealth, Support to Youth and Women, Value addition to local raw materials and increase in contribution to government taxes by SMEs. The project is funded by Government of Kenya.

4. Major risks facing the company

The company'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 major risks for the company are credit, liquidity market and operational risk.

a) Credit Risk Management

Credit risk refers to the risk that a counterparty will be unable to pay amounts in full when due. The company's credit risk is primarily attributable to liquid funds and loans advanced to customers. The company credit risk attributable to liquid funds is low because the counter parties are banks with high

reputation. Credit risk attributable to loans is managed through a framework that sets out policies and procedures covering its measurement and management. The company has ensured clear segregation of duties between transaction originators in the business (Filed officers and Business Development) and approvers in the Risk Function. All credit exposure limits are approved within a defined credit approval authority matrix. The company also manages its credit exposures through the principle of diversification across products, geographical locations, industries and client segments. Potential credit losses from any given account, client or portfolio are mitigated using a range of tools such as collateral, credit insurance and guarantees.

b) Liquidity Risk Management

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. KIE's Board of Directors have built a liquidity risk management framework for managing the company short-term, medium and long-term funding requirements. KIE continuously monitors forecasts and actual cash flows to ensure company's liquidity requirements are met.

c) Market Risk Management

It is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect KIE. KIE currently is not actively affected by foreign exchange risk and equity/commodity prices due to its nature of business.

Interest rate risk is the risk of loss from fluctuations in the future cash flows because of a change in market interest rates which affects KIE's investment. KIE interest rate regime is fairly stable and not driven by on-going market dynamics.

d) Operational Risk

Operational risk is the potential for loss arising from inadequate or failed internal processes, people and systems or from the impact of external events. The management of operational risk is a challenge due to its broad scope as operational risks arise from all activities carried out within KIE. KIE endeavours to discuss all operational risks with department heads and unit managers to ensure effective controls are in place with a review at least once a year.

5. Material arrears in statutory/financial obligations

The company has no material arrears in statutory and financial obligations.

6. Company's compliance with statutory requirements

The company does not have any governance issues among the Board or members of top management. Further there is no conflict of interest.

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kenya Industrial Estates exists to transform lives. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy, putting the customer/citizen first, delivering relevant goods and services, and improving operational excellence. Below are an outline of the organization's policies and activities that promote sustainability.

(i). Sustainability Strategy and profile

Kenya Industrial Estates (KIE) is committed to creating a long-term value for our Stakeholders in all the areas we operate. As we deliver on our mission, we also seek to ensure our sustainability, our customers' sustainability and environmental sustainability. We are a responsible corporate citizen who is committed to responsible and ethical business practices. We ensure our customers derive value from our relationship, our staffs are nurtured to bring out their best and a robust relationship is maintained with our partners.

As an organization operating in various parts of the country, we are concerned with the environment, social and governance issues affecting our staff and the communities in the areas we conduct our activities. Our mandate of supporting Industrialization through development of Small and Medium Enterprises (SMEs) is aligned to sustainable Development Goal (SDG) No.9 on building resilient infrastructure; promote inclusive and sustainable industrialization and further innovation. We are also actively involved in sensitizing our customers on climate change.

Our focus areas for sustainability agenda are our Business model, Environment, Our employees, market place practices and community engagement.

(ii). Business Model

Kenya Industrial Estates supports the development of Small and Medium Enterprises in the manufacturing and value addition sector to facilitate their sustainability and growth. KIE supports the enterprises through provision of credit finance, incubation facilities, and Business Advisory services and through market linkages. By KIE nurtures the enterprises in order to accelerate their graduation from small to medium and large enterprises. KIE is keen to ensure the supported businesses operate in a safe environment; they are screened to avoid negative impact to the environment, human health, safety, security and biodiversity.

(iii). Environmental Performance

Kenya Industrial Estates is a responsible corporate citizen committed to the conservation of the environment, prevention of pollution, effective waste management, minimization of consumption of resources and overall environmental degradation in all our business operations.

We recognize environmental protection as one of the guiding principles and a key component of sound business performance. We are committed to providing quality products and services as we promote and embrace the principle of responsible stewardship of the natural environment.

Kenya Industrial Estates strives to adhere to all applicable environmental regulations. To implement and maintain a structured Environmental Management System based on the continual improvement. We

educate our employees, clients, suppliers and other stakeholders on environmental protection and empower them to participate and contribute to environmental conservation.

Kenya Industrial Estates is committed to support SMEs to adapt to climate change. We are in partnership with Pan-African Climate Alliance to support SMEs to mainstream climate change in their operations and to enable them to transition to low-carbon, climate resilient, green development.

During the Financial year 2021/2022, the company undertook trees planting activities across our various branches with the aim of restoration sites and natural areas. More than 1,800 trees were planted in Ontulili, Timau in Meru County and our Kakamega, Busia, Voi, Embu, Machakos and Malindi offices.

(iv). Employee Welfare

The company is committed to nurturing talent to bring the best out of each employee. Employees are the most important asset for the company and form the base upon which the company delivers services to the public. On recruitment, we are guided by the Constitution, labour laws, our Human Resource manual and best practice. To maintain and attract talent, we continue to ensure a conducive working environment.

Gender Equality

The company is committed to provide equal opportunity for all genders and promote diversity at all levels of management. The gender-disaggregated ratio for the period was 55% Male and 45% Female.

Capacity Building

On Capacity Building, we systematically enhance our staff skills to address career progression of individual employees and improve institutional performance. During the period under review, the company executed some training interventions to address gaps identified in the training needs assessment.

Employee Engagement

Having engaged employees is critical to the achievement our strategic goals. We have undertaken to take on board all our employees' views. To ensure this materializes, employees are encouraged to give their views openly.

Occupational Safety and Health

The Company continues to ensure implementation of Occupational safety and Health Act, 2007. We undertook Continuous monitoring of work environment based on regular risk assessment and conducted safety training to staff to ensure adherence to safety precautions.

(v). Market Place Practises

Kenya Industrial Estates conducts its businesses in a responsible and ethical manner and strives to follow these general principles; Honesty, Fairness, Respect for customers, suppliers, employees, and competitors. KIE through its zero tolerance to corruption promotes transparency and integrity in all its operations.

The organization ensures responsible competition practice by all suppliers in line with Public Procurement and Disposal Act 2015, to undergo a rigorous process of assessment of their social,

environmental and ethical performance that increases reliability of the supply chain, conserves our planet's natural resources, and protects the people who work for and with us. At KIE, we believe that what we do and how we do it are equally important which is why we've put responsible, sustainable sourcing practices into place, guided by the procurement act, throughout our supply chain and made them an integral part of our strategy.

Kenya Industrial Estates seeks to promote marginalized groups (Women, Youth and Persons living with Disabilities) to access Government Procurement opportunities. In the period 2021/22, KIE trained youth, women and persons living with disabilities (PWD) on accessing government procurement opportunities. These group benefited from procurement opportunities worth Ksh. 23.51 Million. KIE also Promotes Buy Kenya Build Kenya initiative through its procurement process and committed 40% of its procurement budget to this endeavor.

In marketing and communications, KIE is committed to responsible advertising in compliance with the existing laws and national and regional standards. KIE ensures that its marketing communications are legal, decent, honest, and truthful, with claims having a sound scientific basis. We are committed to promoting our products in a socially acceptable manner. At the heart of our marketing is safeguarding consumer rights and interests.

Community Engagements

At Kenya Industrial Estates, we are committed to integrating responsible business practices into all our activities, not just with words and statements, but also with action and deeds. With our Corporate Social Responsibility (CSR) commitment, we aim to positively impact the workplace, the marketplace, the environment and the community.

X. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the company's affairs.

Principal activities

The principal activities of the company are to promote and facilitate industrialisation through the provision of credit facilities, business development services and industrial work spaces.

Results

The results of the company for the year ended June 30, 2022 are set out on page 35.

Dividends

The Directors do not recommend dividends.

Directors

The members of the Board of Directors who served during the year are shown on page 3.

Auditors

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

By Order of the Board



Charity Ndeke
Manager, Legal & Company Secretary
Nairobi

Date 23/2/2023

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of Kenya Industrial Estates Ltd, which give a true and fair view of the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2022. These responsibilities include: (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 company; (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 Company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

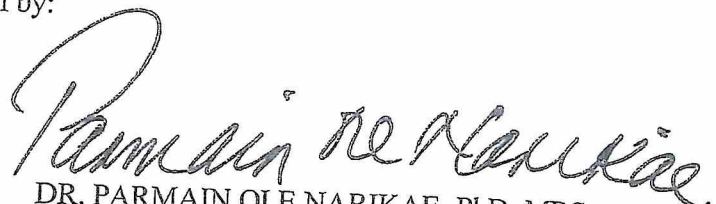
The Directors accept responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2022, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company'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 company 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 Industrial Estates Ltd financial statements were approved by the Board on 29/9/ 2022 and signed on its behalf by:

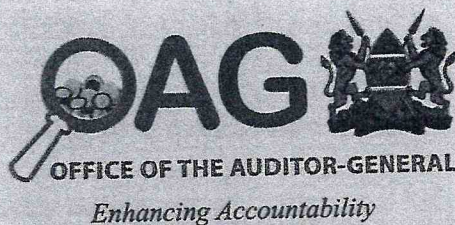

MUTHONI KIMANI
CHAIRPERSON OF THE BOARD


DR. PARMAN OLE NARIKAE, PhD, MBS
MANAGING DIRECTOR



REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KENYA INDUSTRIAL ESTATES LIMITED 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 which 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

Qualified Opinion

I have audited the accompanying financial statements of Kenya Industrial Estates Limited set out on pages 36 to 77, which comprise of the statement of financial position as at 30 June, 2022 and the statement of profit or loss and other comprehensive income,

Report of the Auditor-General on Kenya Industrial Estates Limited for the year ended 30 June, 2022

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, except for the effects of matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Industrial Estates Limited 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 and comply with the Public Finance Management Act, 2012 and the Companies Act, 2015.

Basis for Qualified Opinion

1. Un-Supported Land Ownership

The statement of financial position and as disclosed in Note 11(c) to the financial statements indicates several parcels of land measuring 47.9937 which have no title documents. As reported previously, available information indicates that the process of acquiring titles for these land parcels has been underway for significantly long duration. Management has indicated that they are pursuing the National Lands Commission to process and issue the ownership documents. However, by the time of concluding this audit the title deeds were yet to be issued.

In the circumstances, it was not possible to confirm the rightful ownership of these parcels of land, and there is the risk of encroachment by private developers.

2. Long Outstanding Payables

The statement of financial position reflects trade and other payables balance of Kshs.113,548,000, and as disclosed in Note 24 to the financial statements. Included in this balance is an amount of Kshs.101,012,000 on payables which have been outstanding for more than five (5) months. Further, included in the balance of payables is a balance of Kshs.46,083,000 which relates to retention money, which has been outstanding for more than six (6) months, implying that payments due to contractors and suppliers have been delayed for periods which is beyond the defect liability period of six (6) months.

In the circumstances, effectiveness in use of public resources could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Industrial Estates Limited 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 qualified opinion.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has indicated that the issues have remained unresolved as Parliament has not met to deliberate on the same.

Other Information

The Directors are responsible for the other information, which comprises the Chairman's Report, Report of the Chief Executive Officer, Statement of Performance against Predetermined Objectives, Corporate Governance Statement, Environmental and Sustainability Report, Report of the 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 control, 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 Companies Act, 2015, I report based on 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 Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records.

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 control 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 control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Company'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 the intention to liquidate the Company 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 Company's financial reporting process, reviewing the effectiveness of how 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 control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control 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 control 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 control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Company 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 control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Company'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 Company 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 Company to express an opinion on the financial statements
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control 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

30 March, 2023

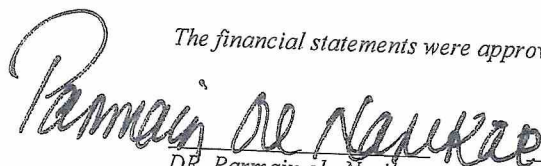
3. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30TH JUNE, 2022


	Note	2022 Kshs'000	2021 Kshs'000
REVENUES			
Revenue	1	208,949	174,991
Grants from National Government	2 (a)	280,240	279,540
Finance Income	3	33,579	33,557
Other Income	4	33,074	35,046
		<u>555,842</u>	<u>523,134</u>
TOTAL REVENUES			
OPERATING EXPENSES			
Administration Costs	5	503,501	499,865
		<u>503,501</u>	<u>499,865</u>
TOTAL OPERATING EXPENSES			
PROFIT/LOSS BEFORE TAXATION	6	52,341 ✓	23,269
Less Taxation (Tax Charge)	7	3,457	5,114
PROFIT/LOSS AFTER TAXATION		<u>48,884</u>	<u>18,155</u>
Earnings per share – basic and diluted	8	<u>12</u>	<u>5</u>
Dividend per share	9	<u>-</u>	<u>-</u>


4. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2022

	Note	2022 Kshs'000	2021 Kshs'000
ASSETS			
Non-Current Assets			
Property, plant and equipment			
Leasehold Land	10	812,265	838,919
Intangible assets	12	489,394	493,652
Investment property	13	9,496	9,496
Unquoted investments	14	998,585	998,585
Staff receivables due after one year	15	-	-
Loans	18(b)	28,918	31,943
	16	1,568,046	1,392,817
Total Non-Current Assets		3,906,704	3,765,412
Current Assets			
Inventories			
Trade and other receivables	17	6,390	6,354
Cash and Bank balances	18(a)	220,009	54,445
	19	1,755,119	1,407,791
Total Current Assets		1,981,518	1,468,590
Total Assets		<u>5,888,222</u>	<u>5,234,002</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital			
Reserves	20	80,277	80,277
	21	5,435,025	4,784,464
Capital and Reserves		5,515,302	4,864,741
Non-Current Liabilities			
Deferred Tax Liability	23	35,608	35,608
Total Non-Current Liabilities		35,608	35,608
Current Liabilities			
Borrowings			
Trade and other payables	22	218,518	218,518
Provision for leave pay	24	113,548	109,889
	26	5,246	5,246
Total Current Liabilities		337,312	333,653
TOTAL EQUITY AND LIABILITIES		<u>5,888,222</u>	<u>5,234,002</u>

The financial statements were approved by the Board on 29/9/ 2022 and signed on its behalf by:


 DR. Parmain ole Narikae
 Managing Director


 CPA Charles M. Mativo
 Finance Manager
 ICPAK No.3736


 Muthoni Kimani
 Board Chairperson

Kenya Industrial Estates Limited

**Reports and Financial Statements
For the year ended June 30, 2022**

5. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE, 2022

	Ordinary share capital	Capital Reserve	Disposal of Sheds	GOK Irredeemable Loans	Revaluation reserve	GOK Loan write off	Grants	Retained earnings	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At July 1, 2020	80,277	22,523	68,637	190,257	838,405	1,210,000	5,131,659	(3,406,243)	4,135,515
Government grant							712,153		712,153
GOK loan write off									
Transfer to Retained Profit									
Total comprehensive Loss								(1,082)	(1,082)
At June 30, 2021	80,277	22,523	68,637	190,257	838,405	1,210,000	5,843,812	(3,389,170)	4,864,741
At July 1, 2021	80,277	22,523	68,637	190,257	838,405	1,210,000	5,843,812	(3,389,170)	4,864,741
Government grant Note (2 b)							604,634		604,634
Transfer of amortization from capital fund to retained earnings									
Prior year adjustments Note (33)									
Transfer to Retained profit (Loss)								(2,957)	(2,957)
At June 30, 2022	80,277	22,523	68,637	190,257	838,405	1,210,000	6,448,446	(3,343,243)	5,515,302

6. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE, 2022			
	Note	2022 Kshs'000	2021 Kshs'000
OPERATING ACTIVITIES			
Cash generated from / (used in) operations	27(a)	(282,358)	(427,777)
Interest received	3	33,579	33,557
Net cash generated from/ (used in) operating activities		<u>(248,779)</u>	<u>(394,220)</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(8,527)	(14,363)
Net cash generated from/ (used in) investing activities		<u>(8,527)</u>	<u>(14,363)</u>
FINANCING ACTIVITIES			
GOK Development Grant	2(b)	604,634	712,153
Net cash generated from/ (used in) financing activities		<u>604,634</u>	<u>712,153</u>
INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>347,328</u>	<u>303,570</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	27(b)	1,407,791	1,104,221
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	27(b)	<u>1,755,119</u>	<u>1,407,791</u>

Note: Disclosure on changes in Financing Cash flow is on note 27 (c)

7. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR
THE PERIOD ENDED 30TH JUNE, 2022

	Original budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	Percentage (%) variance	Explanation on material variances
	2021-2022		2021-2022	2021-2022			
Revenue	Shs'000'	Shs'000'	Shs'000'	Shs'000'	Shs'000'		
Interest Income	135,585	-	135,585	144,497	8,912	6%	
Grant from National Government	250,240	30,000	280,240	280,240	-	-	
Rent Income	60,407	-	60,407	64,452	4,045	6%	
Other Income	40,777	-	40,777	33,074	(7,703)	-23%	(a)
Finance Income	28,502	-	28,502	33,579	5,077	15%	(b)
Total income	515,511	30,000	545,511	555,842	10,331	2%	
Expenses		-					
Compensation to Employees	323,200	-	323,200	309,223	13,977	5%	
Use of Goods and Services	140,190	-	140,190	125,303	14,887	12%	
Rent Paid	5,352	-	5,352	4,853	499	10%	
Amortization and Depreciation	39,921	-	39,921	39,439	482	1%	
Provision write off	2,000	-	2,000	24,683	(22,683)	-92%	(c)
Taxation paid	-	-	-	3,457	(3,457)	-	
Total Expenditure	510,663	-	510,663	506,958	3,705	1%	
Net Profit / Loss for the Period	4,848	30,000	34,848	48,884	6,626	100%	

EXPLANATORY NOTES TO MAJOR VARIANCES

- (a) Other Income:- This was a result lower income from Business Advisory services than anticipated
- (b) Finance Income:- The achievement was higher than anticipated.
- (c) Provision Write-off- This was portfolio clean-up which was concluded within the year
- (d) Use of goods and services- Cost Management measures during the year resulted in some savings in the use of goods and services.

8. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

KIE is established by and derives its authority and accountability from the Companies Act. The company is wholly owned by the Government of Kenya and is domiciled in Kenya. The company's principal activity is to promote and facilitate industrialization through provision of credit facilities, business development services and industrial workspace.

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 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 Kenya Industrial Estates Ltd accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 5-(I-VII).

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

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL REPORTING STANDARDS (IFRS)

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

(a) 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

(b) Amendment to IFRS 9 titled Fees in the “10 per cent “Test for De-recognition of Financial Liabilities.

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 new terms of a new or modified financial liability are substantially different from the terms of the original financial liability. *The amendments are effective for the annual periods beginning on or after January 1 2022*

(c) 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.

The amendments are effective for annual periods beginning on or after January, 2022.

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

(a) 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.

(b) Amendment 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 a non-current: the requirement for an entity to have the right to defer settlement of the ability for at least 12 months after the reporting period.

The amendments are effective for annual periods beginning on or after January 1, 2023

(c) 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 material accounting policy information rather than their significant accounting policies.

The amendments are effective for annual periods beginning on or after January 1, 2023.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(d) 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 consequences of the 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.

The amendments are effective for annual reporting periods on or after January 1, 2023.

(e) 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 the annual reporting periods beginning on or after January 1, 2023.

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.

ii) Early adoption of Standards.

Kenya Industrial Estates 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

a) Revenue Recognition

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

- i) **Revenue from the sale of goods and services** is recognised in the year in which the Company 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 recognised in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Capital grants received and are meant for capital projects are amortized and recognized as grants income in the Statement of Comprehensive Income. The amortized amount is transferred from GOK capital fund to retained earnings under the Statement of Changes in Equity each year. This is in line with IAS 20. Also, the Development/ Capital grants are recognized in the statement of financial position
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognised in the income statement as it accrues using the effective lease agreements.
- vi) **Other income** is recognised as it accrues.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

e) 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 costs of on-going but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a 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 are:

Buildings and civil works	40 years or the unexpired lease period
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	5 years
Computers and related equipment	5 years
Office equipment	12.5 years
Office furniture and fittings	10 years

d) Depreciation and Impairment of Property, Plant and Equipment (Continued)

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 comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software.

These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use over ten years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

f) Amortisation and Impairment of Intangible Assets

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

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

g) Investment Property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the Company, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

h) Unquoted Investments

Unquoted investments are stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

i) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handing charges, and is determined on the moving average price method.

j) Trade and Other Receivables

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

k) Taxation

Current Income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognised directly in net assets is recognised in net assets and not in the financial performance.

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.

l) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at various commercial banks at the end of the financial year.

m) 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

n) 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 Company or not, less any payments made to the suppliers.

o) Retirement Benefit Obligations

The company operates a defined contribution scheme for all full-time employees from July 1, 2011. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees.

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

p) Provision for Staff Leave Pay

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

q) Exchange Rate Differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Company 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 as in profit or loss.

r) Budget Information

The original budget for FY 2021-2022 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of Kshs.30.0 Million the 2021-2022 budget following the governing body's approval.

Kenya Industrial Estates Limited

Reports and Financial Statements

For the year ended June 30, 2022

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

s) Comparative Figures

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

t) 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

u) Provision for Bad and Doubtful Debts

The organization applies the banking regulations issued by the Central Bank on risk classification for loans and provisioning for bad and doubtful loans, using prudential guidelines as shown in table below:

Category	Classification	Provisioning
A	Normal class (0-30 days)	general provision of 1% of loan balance
B	Watch class (31-90 days)	general provision of 2% of loan balance
C	Sub-standard class (91-180 days)	20% of loan balance less suspended interest
D	Doubtful class (181-365 days)	100% of loan balance less suspended interest
E	Loss class (365 days)	100% of loan balance less security

5. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

Critical Accounting Estimates and Judgements

In the process of applying the Corporation's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

The key area of judgement in applying the entities accounting policies is dealt with below:

I. Impairment Losses

At the end of each reporting period, the Corporation reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash generating unit to which the asset belongs.

II. Provision for Ex-staff Imprests and Advances

The company makes estimates of doubtful receivables in relation to ex-staff imprest and advances and makes provision based on the estimates. Bad debts in relation to ex-staff and advances are written off after all efforts at recovery have been exhausted.

III. Impairment Losses on Loans and Advances

The estimation of potential credit losses is inherently uncertain and depends upon many factors, including general economic conditions, changes in individual customers' circumstances, structural changes within industries that alter competitive positions and other external factors such as legal and regulatory requirements. Impairment is measured for all accounts that are identified as non-performing. All relevant considerations that have a bearing on the expected future cash flows are taken into account which include but not limited to future business prospects for the customer and realizable value of security.

Subjective judgements are made in this process of cash flow determination both in value and timing and may vary from one person to another. Judgements may also change with time as new information becomes available.

The company review its loans and advances at each reporting date to assess whether an allowance for impairment should be recognized in profit or loss. Judgement is required in the estimation of

Reports and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions on a number of factors.

IV. Income Taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax balances and deferred tax provisions in the period in which such determination is made.

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 company and the same taxation authority.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable company or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously. In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events.

New information may become available that causes the company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

V. Property, Plant and Equipment

Property, plant and equipment are depreciated over its useful life taking into consideration residual values. Critical estimates are made by management in determining the depreciation rates based on reasonable estimates of the useful life of the assets.

VI. Going Concern

The Board of Directors and Management have evaluated the going concern status of the company and have no reason to believe the company will not be in operation in the next financial year because the company is funded by the Government through budgetary allocations. In making this judgement the directors and management have made reasonable estimates and judgement on the budgetary allocation expected from government.

VII. Related Parties

In the normal course of business, the company has entered into transactions with related parties. The related party transactions are at arm's length.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022 Kshs'000	2021 Kshs'000
1. REVENUE		
Interest income from loans	144,497	114,908
Rent income	76,729	70,702
Less: VAT on rent	(12,277)	(10,619)
	<u>208,949</u>	<u>174,991</u>
2. GRANTS FROM NATIONAL GOVERNMENT		
(a) Recurrent grants received	280,240	279,540
(b) Capital grants received	604,634	712,153

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income Ksh'000	Amount deferred under deferred income Kshs'000	Amount recognised in capital fund Kshs'000	Total grant income during the year Kshs;000	2020-2021 Kshs'000
State Department of Investment and Industry	280,240			280,240	279,540
Total	280,240			280,240	279,540

3. FINANCE INCOME

Interest from commercial banks	33,579	33,557
	<u>33,579</u>	<u>33,557</u>

4. OTHER INCOME

Commissions & charges	4,091	4,687
Sale of tender documents	20	13
Business Development Services Income	18,761	21,896
Miscellaneous receipts	10,202	8,450
	<u>33,074</u>	<u>35,046</u>

Kenya Industrial Estates Limited

Reports and Financial Statements

For the year ended June 30, 2022

NOTES TO FINANCIAL STATEMENTS (Continued)

5. ADMINISTRATION COSTS

	2022	2021
	Kshs'000	Kshs'000
Staff costs (Note 5a)	309,223	278,677
Directors' emoluments (Note 6b)	20,728	15,219
Electricity and water	3,839	5,612
Communication services and supplies	14,757	15,074
Transportation, travelling and subsistence	22,945	24,906
Advertising, printing, stationery and photocopying	17,432	16,147
Rent and Rates expenses	4,853	4,081
Hospitality supplies and services	351	17
Insurance costs	9,462	9,304
Bank charges and commissions	1,702	1,769
Office and general supplies and services	6,722	7,331
Auditors' remuneration	600	696
Legal fees	4,053	15,883
Consultancy fees	604	-
Repairs and maintenance	3,805	1,023
Other operating expenses	18,303	20,121
Depreciation & Amortization (Note 12-14)	39,439	41,865
Prov. for bad and doubtful debts (Note 6)	<u>24,683</u>	<u>42,140</u>
	<u>503,501</u>	<u>499,865</u>

5(a) STAFF COSTS

Salaries and allowances of permanent employees	241,181	220,730
Staff Training Expenses	11,948	5,185
Medical Expenses	30,099	28,262
Fringe benefit tax	315	231
Staff Welfare	-	-
Wages of temporary employees	1,978	1,649
Compulsory national social security schemes	1,032	525
Other pension contributions	21,182	20,607
Leave pay and Gratuity provisions	<u>1,488</u>	<u>1,488</u>
	<u>309,223</u>	<u>278,677</u>

The average number of employees at the end of the year was:

Permanent employees – Management	21	15
Permanent employees – Technical and Support Staff	189	198
Temporary and contract employees	2	2
	<u>212</u>	<u>215</u>

Kenya Industrial Estates Limited
 Reports and Financial Statements
 For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022 Kshs'000	2021 Kshs'000
5(b) DIRECTORS EMOLUMENTS		
Sitting Allowances	7,998	5,982
Honoraria	1,044	1,044
Other Allowances	11,686	8,193
	<u>20,728</u>	<u>15,219</u>
	<u><u>20,728</u></u>	<u><u>15,219</u></u>
5(c) PROVISION FOR BAD DEBTS		
Provision for bad debts & doubtful debts	(24,683)	(42,140)
	<u>(24,683)</u>	<u>(42,140)</u>
	<u><u>(24,683)</u></u>	<u><u>(42,140)</u></u>

**KENYA INDUSTRIAL ESTATES LTD
 PROVISION FOR BAD & DOUBTFUL DEBTS 2021/2022**

Type of provisions	Loans	Leave provision	Rent provision	write off	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
General provision	(270)	-	-	-	(270)
Specific provision	(24,413)	-	-	-	(24,413)
Total Provision	<u>(24,686)</u>	<u>(-)</u>	<u>(-)</u>	<u>(-)</u>	<u>(24,683)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. OPERATING PROFIT / (LOSS)

	2022 Kshs'000	2021 Kshs'000
The operating profit / (loss) is arrived at, after charging/ (crediting):		
Staff costs (note 6b)	309,223	278,677
Amortization and Depreciation (Note 10&12)	39,439	41,865
Directors' Emoluments (Note 5b)	20,728	15,219
Provision for bad and doubtful debts (Note 5c)	24,683	42,140
Auditors' remuneration - current year fees	600	696
Other administrative expenses	108,828	121,268
Government current grant	(280,240)	(279,540)
Interest receivable (Note 1)	(144,497)	(114,908)
Rent receivable (Note 1)	(64,452)	(60,083)
Finance Income (Note 3)	(33,579)	(33,557)
Other Income (Note 4)	(33,074)	(35,046)
	<u> </u>	<u> </u>
Profit Before Taxation	52,341	23,269

7 TAXATION

Current Tax	3,457	5,034
Deferred Tax Credit/ Charge	-	80
	<u>3,457</u>	<u>5,114</u>

The tax on the company's (loss) before tax differs from the theoretical amount that would arise using the basic rate as follows:

Profit / Loss before Tax	<u>52,341</u>	<u>23,269</u>
Tax calculated at rate of 30% (2020: 25%)	15,702	6,981
Tax effect of:		
- Income not subject to tax	(-)	(-)
Tax losses carried forward	(15,702)	(6,901)
Tax charge / credit	<u> </u>	<u>80</u>

8 EARNINGS PER SHARE

The earnings per share is calculated by dividing the 2021/2022 profit after tax of Kshs. 48,884,000 (profit before tax for 2020/2021: Kshs. 18,155,000.00) by the average number of ordinary shares in issue during the year of 4,013,865 (ordinary share in issue 2020/2021: 4,013,865). There were no dilutive or potentially dilutive ordinary share as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 DIVIDEND PER SHARE

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2022, no dividend in respect of the year ended June 30, 2022 shall be proposed just like year 2021 when no dividend was proposed.

Kenya Industrial Estates Limited

Reports and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)
10 PROPERTY, PLANT AND EQUIPMENT

2022	Buildings & civil works Kshs'000	Office equipment Kshs'000	Motor vehicles, including, motor cycles Kshs'000	Computers & related equipment Kshs'000	furniture & fittings Kshs'000	Capital work in progress Kshs'000	TOTAL Kshs'000
COST OR VALUATION							
At July 1, 2021	470,829	68,361	133,304	53,373	59,085	356,090	1,141,042
Additions	3,894	852	-	1,388	2,393	-	8,527
Adjustments	-	-	-	-	-	-	-
At June 30, 2022	474,723	69,213	133,304	54,761	61,478	356,090	1,149,569
DEPRECIATION							
At July 1, 2021	115,096	35,867	83,746	34,145	33,269	-	302,123
Charge for the year	13,740	2,475	14,311	1,768	2,887	-	35,181
At June 30, 2022	128,836	38,342	98,057	35,913	36,156	-	337,304
NET BOOK VALUES							
At June 30, 2022	345,887	30,871	35,247	18,848	25,322	356,090	812,265

Kenya Industrial Estates Limited
Reports and Financial Statements
For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2021	Buildings & civil works Kshs'000	Office equipment Kshs'000	Motor vehicles, including, motor cycles Kshs'000	Computers & related equipment Kshs'000	furniture & fittings Kshs'000	Capital work in progress Kshs'000	TOTAL Kshs'000
COST OR VALUATION							
At July 1, 2020	470,829	56,120	133,304	51,251	59,085	356,090	1,126,679
Additions	-	12,241	-	2,122	-	-	14,363
Adjustments	-	-	-	-	-	-	-
At June 30, 2021	470,829	68,361	133,304	53,373	59,085	356,090	1,141,042
DEPRECIATION							
At July 1, 2020	100,825	33,132	69,435	32,713	29,248	-	265,353
Charge for the year	14,271	2,735	14,311	1,432	4,021	-	36,770
At June 30, 2021	115,096	35,867	83,746	34,145	33,269	-	302,123
NET BOOK VALUES							
At June 30, 2021	355,733	32,494	49,558	19,228	25,816	356,090	838,919

Property, plant and equipment include the following items that are fully depreciated:

	Cost or Valuation	Normal Annual depreciation charge
Office equipment	-	12.5%
Motor vehicles, including motor cycles	61,750	20%
Computers and related equipment	39,633	20%
Furniture and fittings	-	10%
	<u>101,383</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. (b) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment include the following items that are fully depreciated:

	Cost or Valuation	Normal Annual Depreciation Charge
	Kshs'000	Kshs'000
Office Equipment	-	12.5%
Motor vehicles, including motor cycles	61,750	20%
Computers & Related Equipment	39,633	20%
Furniture & Fittings	-	10%
	101,383	-

11. (c) LAND WITHOUT TITLE DOCUMENTS

The company has 47 pieces of land measuring 47.9928 hectares which have no title documents. These are shown in annexure V. The company is pursuing the National Land Commission for the issuance of the title documents.

12. LEASEHOLD LAND

	2022 Kshs'000	2021 Kshs'000
COST		
At July 1	537,335	537,335
Elimination	-	-
Revaluation	-	-
Additions	-	-
Adjustments	-	-
At June 30	<u>537,335</u>	<u>537,335</u>
AMORTISATION		
At July 1	43,683	39,263
Elimination	-	-
Charge for the year	4,258	4,420
Disposals	-	-
Impairment loss	-	-
At June 30	<u>47,941</u>	<u>43,683</u>
NET BOOK VALUE		
At June 30	<u><u>489,394</u></u>	<u><u>493,652</u></u>

Kenya Industrial Estates Limited
 Reports and Financial Statements
 For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022 Kshs'000	2021 Kshs'000
13. INTANGIBLE ASSETS		
COST	48,126	48,126
At July 1	-	-
Additions	-	-
Disposals	<u>48,126</u>	<u>48,126</u>
At June 30	<u>48,126</u>	<u>48,126</u>
 AMORTISATION	 38,630	 37,955
At July 1	-	675
Charge for the year	-	-
Disposals	-	-
Depreciation Adjustment	<u>38,630</u>	<u>38,630</u>
At June 30	<u>38,630</u>	<u>38,630</u>
	<u>9,496</u>	<u>9,496</u>
NET BOOK VALUE at June 30	<u><u>9,496</u></u>	<u><u>9,496</u></u>
 14. INVESTMENT PROPERTY		
Opening valuation	998,585	998,585
Movements during the year	-	-
Transfer from WIP	-	-
Additions	-	-
Adjustments	-	-
Disposal	-	-
Fair value gains/ (Losses)	<u>998,585</u>	<u>998,585</u>
Closing valuation	<u>998,585</u>	<u>998,585</u>
 AMORTISATION	 -	 -
At July 1	-	-
Charge for the year	-	-
Disposals	-	-
Impairment loss	<u>998,585</u>	<u>998,585</u>
At June 30	<u>998,585</u>	<u>998,585</u>
NET BOOK VALUE	<u>998,585</u>	<u>998,585</u>
At June 30	<u><u>998,585</u></u>	<u><u>998,585</u></u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. UNQUOTED INVESTMENTS

	Level 1 Kshs '000	Level 2 Kshs '000	Level 3 Kshs '000	Total Kshs '000
At 30 ^{1st} July 2021:				
Investment in shares – Available-for-sale	-	11,200	-	-
Less Provisions	-	(11,200)	-	-
Investment as at 30 th June 2022	-	-	-	-
At 1 st July 2020:				
Investment in shares – Available-for-sale	-	11,200	-	-
Less Provisions	-	(11,200)	-	-
Investment as at 30 th June. 2021	-	-	-	-

The unquoted investment relates to investment of 440,000 non-cumulative preference shares of Kshs.20 each and 120,000 ordinary shares of Kshs.20 each at Consolidated Bank of Kenya Ltd.

	2022 Kshs'000	2021 Kshs'000
16. LOANS		
Loan gross		
Interest suspended	1,753,939	1,520,014
Specific provision	(134,899)	(101,253)
General provision	(51,678)	(26,829)
	681	885
Net loan balance	<u>1,568,046</u>	<u>1,392,817</u>

17. INVENTORIES

Stationery and general stores	6,554	6,518
Less: Impairment of stock	(164)	(164)
	<u>6,390</u>	<u>6,354</u>

18 (a) TRADE AND OTHER RECEIVABLES

Trade receivables	366,173	201,232
Staff receivable (note 18 (c))	3,687	3,354
Gross trade and other receivables	<u>369,860</u>	<u>204,586</u>
Provision for bad and doubtful receivables	(149,851)	(150,141)
Net trade and other receivables	<u>220,009</u>	<u>54,445</u>

Kenya Industrial Estates Limited
 Reports and Financial Statements
 For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022 Kshs'000	2021 Kshs'000
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	161,166	26,802
Between 31 and 60 days	15,554	1,495
Between 61 and 90 days	1,066	1,113
Between 91 and 120 days	1,544	859
Over 120 days	190,530	174,317
	<u>369,860</u>	<u>204,586</u>
18 (b) STAFF RECEIVABLES		
Staff loans	30,759	33,712
Interest suspended	(758)	(608)
Specific provision	(1,162)	(1,162)
General provision	79	1
	<u>28,918</u>	<u>31,943</u>
18 (c) STAFF RECEIVABLES		
Staff advances and imprest	3,687	3,354
Provision for staff advances and imprest	(2,528)	(2,528)
	<u>1,159</u>	<u>826</u>
Amounts due within a year		
19 CASH AND BANK BALANCES		
Cash at bank	1,754,463	1,407,135
Cash in hand	656	656
	<u>1,755,119</u>	<u>1,407,791</u>
Details analysis of the cash and cash equivalent:		
Standard Chartered Bank	1,353,309	837,310
Kenya Commercial Bank Ltd	321,821	551,953
National Bank of Kenya	78,671	17,207
Co-operative Bank of Kenya	168	168
M-Pesa	494	496
Cash in hand	656	656
	<u>1,755,119</u>	<u>1,407,791</u>

The bulk of the cash at bank was held at Standard Chartered Bank Kenya Limited and Kenya Commercial Bank. These are the main company's bankers including National Bank of Kenya Limited.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 ORDINARY SHARE CAPITAL

	2022 Kshs'000	2021 Kshs'000
Authorised: 10,000,000 ordinary shares of Kshs.20 par value each	200,000 <u> </u>	200,000 <u> </u>
Issued and fully paid: 4,013,865 ordinary shares of Kshs.20 par value each	80,277 <u> </u>	80,277 <u> </u>

21 RESERVES

Capital Reserves	22,523	22,523
Disposal of sheds	68,637	68,637
GOK Irredeemable Loans	190,257	190,257
Revaluation Reserves	838,405	838,405
Grants	6,448,446	5,843,812
GOK Loan write-off	1,210,000	1,210,000
Retained Earnings	(3,343,243)	(3,389,170)
	<u>5,435,025</u>	<u>4,784,464</u>

CAPITAL RESERVES

This relates to assets donated to the company by development partners

DISPOSAL OF SHEDS

This relates to profit on disposal of company sheds between 1990 and 2008

GOK IRREDEEMABLE LOANS

The amount of Kshs.190, 257,000.00 includes book value of Kshs.137, 900,000.00 industrial sheds constructed as at 30th June, 1985 from Government of Kenya loans and Kshs.52, 266,000.00 accrued interests on Government of Kenya loans up to 30th June, 1985. These loans are irredeemable subordinated to equity and bear no interest.

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.

GRANTS

This refers to grants from the Government and other donor partners. These are included in the reserves under statement of changes in equity.

RETAINED EARNINGS

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022 Kshs' 000	2021 Kshs' 000
22 BORROWINGS		
Balance at beginning of the year	218,518	218,518
Interest Accrued	-	-
Repayments of domestic borrowings during the year	(-)	(-)
Balance at end of the year	<u>218,518</u>	<u>218,518</u>
Less: Amounts due within one year (current portion)	(-)	(-)
Amounts due after one year (non-current portion)	<u>-</u>	<u>-</u>
The analyses of both external and domestic borrowings are as follows:		
External Borrowings		
Dollar denominated loan from 'A'	152,864	152,864
Domestic Borrowings		
Kenya Shilling loan from Youth Enterprise Fund	1,709	1,709
Kenya Shilling loan from GOK	63,945	63,945
	<u>65,654</u>	<u>65,654</u>
Total balance at end of year	<u>218,518</u>	<u>218,518</u>
a) Analysis of changes in Borrowings		
Balance at beginning of the year	218,518	218,518
Receipts during the year	-	-
Repayments during the year	(-)	(-)
Adjustment of previous year accrued interest	(-)	(-)
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
GOK Loan write off	(-)	(-)
Balance at end of the year	<u>218,518</u>	<u>218,518</u>
b) Analysis of Interest Paid		
Interest on loans capitalised	-	-
Balance at beginning of the year	-	-
Balance at end of the year	(-)	(-)
Interest paid	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Deferred Tax Liability

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30%. The movement on the deferred tax account is as follows:

	2022 Kshs'000	2021 Kshs'000
At start of year	35,608	35,635
Charge to profit or loss (Note 9)	=	<u>80</u>
At end of year	<u>35,608</u>	<u>35,608</u>

Deferred tax liabilities and (assets), deferred tax (credit)/charge to profit or loss are attributable to the following items:

	At start of year Ksh'000	Charge/ (credit) Ksh'000	At end of year Ksh'000
Deferred Tax Liabilities			
Property, Plant & Equipment	30,362	(-)	30,362
Provisions-Leave & Bad debts	<u>5,246</u>	-	<u>5,246</u>
Net Deferred Tax Liability	<u>35,608</u>	-	<u>35,608</u>
Deferred Tax (Assets)			
Tax losses carried forward	<u>0</u>	<u>0</u>	<u>0</u>
Net Deferred Tax Liability	<u>35,608</u>	=	<u>35,608</u>

Deferred tax liability had not previously been incorporated in the financial statements and has now been restated.

24. TRADE AND OTHER PAYABLES

	2022 Kshs'000	2021 Kshs'000
Trade payables	12,536	7,551
Retention	46,083	46,083
Other payables	54,929	56,255
	<u>113,548</u>	<u>109,889</u>

25. RETIREMENT BENEFIT OBLIGATIONS

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. 200.00 per employee per month. Other than NSSF the company also has a defined contribution scheme operated by Kenya Industrial Estates Limited staff retirement benefit scheme and Kenya Industrial Estates Limited Staff provident fund. Employees contribute 8% while employers contribute 16% of basic salary.

Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred. The scheme is administered by an external administrator.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 PROVISION FOR LEAVE PAY	2022	2021
	Kshs'000	Kshs'000
Balance at beginning of the year	5,246	1,914
Additional provision at end of year	-	3,332
Leave paid out or utilised during the year	-	-
	<u>5,246</u>	<u>5,246</u>
Balance at end of the year	<u>5,246</u>	<u>5,246</u>

Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year.

27 Reconciliation of operating Profit / (Loss) to Cash generated from / (used in) operations		
Operating Profit / (Loss)	52,341	23,269
Depreciation and Amortization	39,439	41,865
Rent Income	(64,452)	(60,083)
Other Income	(33,074)	(35,046)
Interest Income	(144,497)	(114,908)
Provisions	24,683	42,140
Interest Received	(33,579)	(33,557)
	<u>(159,139)</u>	<u>(136,320)</u>
Operating Profit/ (Loss) Before Working Capital Changes		
Increase in Inventories	(36)	(944)
Increase in trade and other Receivables	(165,564)	(1,286)
Decrease in trade and other Payables	3,659	2,559
Decrease in Provision for Staff Leave Pay	-	3,332
Advances to Customers	(681,937)	(870,119)
Collection from Loans, Rent, Mortgage & Other Income	720,659	575,001
	<u>(282,358)</u>	<u>(427,777)</u>
a) Cash Generated from/ (used in) Operations		
b) Analysis of Cash and Cash Equivalentents		
Cash at bank	1,754,463	1,407,135
Cash in hand	656	656
	<u>1,755,119</u>	<u>1,407,791</u>
Balance at end of the year		

c) Disclosure on changes in Financing Cash flow: -

- i. GOK Grant- This is grant from National Government given to support the compar development activities. The grant is not refundable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 RELATED PARTY DISCLOSURES

Companies and other parties related to the company include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

The company is related to:

- Government Agencies
- Government of Kenya
- Board of Directors

(a) Government Agencies

	2022	2021
	Kshs'000	Kshs'000
(i) Sales to Government Agencies		
Rent income from Gov't Agencies	<u>2,305</u>	<u>3,817</u>
(ii) Purchases from Government Agencies		
Purchase of electricity from KPLC	2,004	3,466
Purchases of water from Gov't Service Providers	<u>1,835</u>	<u>1,894</u>
Total	<u>3,839</u>	<u>5,360</u>

(b) Grants from the Government

The Government of Kenya is the principal shareholder of the company, holding 100% of the company's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the company, both domestic and external. Government of Kenya provides both development and recurrent grants to the organization. The organization received development and recurrent grant amounting to kshs. 884,874,000 in 2021/2022 compared to Kshs. 991,693,000.00 in 2020/2021.

GOK Transfers	<u>884,874</u>	<u>991,693</u>
---------------	----------------	----------------

(c) Directors Remuneration

Directors	<u>20,728</u>	<u>15,219</u>
-----------	---------------	---------------

(d) Management Compensation

The remuneration of directors and other members of key management during the period were as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022 Kshs'000	2021 Kshs'000
Compensation to the Directors	20,728	15,219
Compensation to the CEO	5,400	5,400
Compensation to key management	<u>28,828</u>	<u>28,828</u>
(d) Loans to Key Management	<u>54,956</u>	<u>49,447</u>
Car Loans	<u>2,924</u>	<u>3,823</u>

29 CONTINGENT ASSETS AND LIABILITIES

a) CONTINGENT ASSETS

Staff Houses (Eldoret)

191,000	191,000
<u>191,000</u>	<u>191,000</u>
<u>191,000</u>	<u>191,000</u>

There is disputed ownership of staff houses in Eldoret where titles were obtained fraudulently. The company went to court and obtained a favourable judgement. The parties however, appealed against the judgement but the company also obtained a favourable judgement. The property is valued at Ksh.191M and the company is in the process of taking possession. There are also other parcels of land whose ownership is in dispute. These have been forwarded to National Land Commission.

b) CONTINGENT LIABILITIES

Bank overdraft

Legal claims against the company

3,422	3,422
-	-
<u>3,422</u>	<u>3,422</u>
<u>3,422</u>	<u>3,422</u>

The company may be required to pay interest on the Bank Overdraft of Kshs.3.422 million with Continental Bank. The interest is expected to accrue from the date the Bank was placed under official Receivership. However, assurance in writing had been given that the interest charged in excess of the interest receivable from deposits will be borne by the Continental Credit Finance. these were related Institutions.

c) Corporation Tax

This relate to claim by KRA for payment of tax arrears for period 1994 to 2014. The claim relates to interest and penalties for the said period and the company has applied to Kenya Revenue Authority (KRA) for waiver.
 The matter is under consideration by KRA. The liability amounted to KSh. 140.20 Million as at 30/06/2022.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

d) Court Cases

There are two on-going court cases in relation to disputed land ownership between the company and other parties and one arbitration matter in relation to a contract. The cases are on-going.

30 FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks including credit and liquidity risks, effects of changes in foreign currency in addition to interest rates risks and changes in market rents. The company'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 most important types of risk for the company are credit, liquidity and market risk.

i. Credit Risk

The company 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, loans to customers as well as trade and other receivables.

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 company'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 company's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs'000	Fully performing Kshs'000	Past due Kshs'000	Impaired Kshs'000
At 30 June 2022				
Receivables from non-exchange transactions	369,860	161,166	18,164	190,530
Bank balances	1,754,463	-	-	-
Loans	1,596,964			
Total	3,721,287	-	-	-
At 30 June 2021				
Receivables from non-exchange transactions	205,586	27,802	3,467	174,317
Bank balances	1,407,135	-	-	-
Loans	1,424,760			
Total	3,037,481	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 Risk Measurement

The company assesses the probability of default of customers by applying the banking regulations issued by the Central Bank on risk classification for loans using prudential guidelines classifications. The customers of the company are segmented into five rating classes. The company's rating scale reflects the range of default probabilities defined for each rating class. This means that in principle, exposures migrate between classes as the assessment of their probability of default changes. The company regularly validates the performance of the rating and their predictive power with regard to default events.

Category	Classification
A	Normal
B	Watch
C	Sub-Standard
D	Doubtful
E	Loss

Impairment and Allowance Policies

The company establishes an allowance for impairment losses that represents its estimate of incurred losses in its loans and advances portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The other component is in respect of losses that have been incurred but have not been identified in relation to the loans and advances portfolio that is not specifically impaired.

The impairment allowance recognized in the statement of financial position at year end is derived from each of the five internal rating classes. However, impairment is largely composed of sub-standard, doubtful and loss classes.

	2022 Ksh'000'	2021 Ksh'000'
Individually Impaired		
Normal	1,047,377	1,097,238
Watch	165,597	107,533
Sub -Standard	135,441	78,980
Doubtful	730	9
Loss	435,553	269,966
Gross Amount	1,784,698	1,553,726
Allowance for Impairment	<u>(187,735)</u>	<u>(128,966)</u>
Carrying Amount	<u>1,596,963</u>	<u>1,424,760</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Past due but not Impaired Loans

Past due but not impaired loans are those for which contractual interest or principal payments are past due, but the company believes that impairment is not appropriate on the basis of stage collection of amounts owed by the company. As at 30 June, the classifications of past due but not impaired and past due and impaired were as follows:

Loans to Customers

	2022 Ksh'000'	2021 Ksh'000'
Not Past due and not Impaired	1,047,377	1,097,238
Past Due and Impaired	301,038	186,513
Past Due and Impaired Impairment Allowance	436,283 <u>(187,735)</u>	269,975 <u>(128,966)</u>
Total	<u>1,596,963</u>	<u>1,424,760</u>

ii. Liquidity Risk Management

Ultimate responsibility for Liquidity Risk Management rests with the Company's directors, who have built an appropriate liquidity risk management framework for the management of KIE'S short, medium and long-term funding liquidity management requirements. The company manages liquidity risks 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	Between 1-3 months	Over 5 months	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At 30 June 2022				
Trade payables	12,536	-	101,012	113,548
Total	12,536	-	101,012	113,548
At 30 June 2021				
Trade payables	7,551	-	102,338	109,889
Total	7,551	-	102,338	109,889

Market Risk Management

The Board has put in place an Internal Audit and Risk management functions to assist it in assessing the risk faced by the company on an on-going basis, evaluate and test the design and effectiveness of its Internal Accounting and operational controls.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 company'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 Risk 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 company's exposure to market risks or the manner in which it manages and measures the risk.

i) Interest Rate Risk

Interest rate risk is the risk that the company's financial condition may be adversely affected as a result of changes in the interest rate levels. The company takes on exposure to the effect of fluctuation in prevailing levels of market interest rate on both fair value and cash flow risk. The company holds interest bearing assets in form of loans to customers. The Board has assessed the interest rate risk and does not foresee any changes in the market that may adversely affect the company's cash flow. This is because the company's interest rate regime is fairly stable.

The company is no longer exposed on interest rate on financial instruments as this exposure was eliminated after the government wrote off the company loans.

ii) Foreign Exchange Risk

The company has no exposure to foreign currency risk because of the nature of its business and after its loans were written-off by the government.

31 GRANTS

	2022	2021
	Kshs'000	Kshs'000
Norwegian grant	146,039	146,039
EEC grant	1,857	1,857
GTZ grant for ISL	17,594	17,594
GTZ Rep. Financing grant	4,385	4,385
KFW grant for ISL loans	72,943	72,943
GTZ co-operation fund	3,705	3,705
GOK grant	6,183,957	5,579,323
UNDP grant	6,766	6,766
EEC grant	11,200	11,200
GOK Loan write-off	1,210,000	1,210,000
	<hr/>	<hr/>
	7,658,446	7,053,812
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. PROVISION FOR BAD AND DOUBTFUL DEBTS

The provision for bad debts includes provision on loans and mortgages made in the year and write backs on loans which were previously provided and were recovered in the year.

33. PRIOR YEAR ADJUSTMENTS

Kshs.2.96 Million in prior year, relates to payments of invoices and rent income adjustments for the prior years which were carried out in the Financial Year 2021/2022.

34. KENYA INDUSTRY & ENTREPRENEURSHIP PROJECT (KIEP)

Kenya Industry and Entrepreneurship Project (KIEP) is a \$50 million cutting-edge government initiative for supporting innovation and productivity growth in the country. The Project development objective is to increase innovation and productivity in select private sector firms with aim of benefiting an ecosystem of players including incubators, start-ups, SMEs and students both directly and indirectly. KIEP is being implemented through The Ministry of Industry, Trade and Enterprise Development (MoITED) and by its agencies. Kenya Industrial Estates is one of the Government Agencies implementing the project with a role of strengthening the ecosystem's support infrastructure. This will be achieved through capacity building of Small and Medium Enterprises and upgrading of the branch network into Business Development Centres. Kenya Industrial Estates signed a MoU with MoITED in February 2021 to carry out the agreed activities and received a disbursement of Kshs 31,600,000 during 2020/2021 financial year out of an approved Kshs. 100 million over the project period.

35. CONSTITUENCY INDUSTRIAL DEVELOPMENT CENTRES (CIDCs)

The company is running Constituency Industrial Development Centres (CIDCs) which were constructed by the Government on KIE land. They are functioning, providing work space for Micro, Small and Medium Enterprises. The company is completing valuation of the CIDCs to be included in the Financial Statements.

36. CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The company's capital structure comprises of the following funds

	2021-2022	2020-2021
	Kshs'000	Kshs'000
Ordinary share capital	80,277	80,277
Capital reserve	22,523	22,523
Disposal of sheds	68,637	68,637
GOK Irredeemable loans	190,257	190,257
Revaluation reserves	838,405	838,405
Retained earnings	(3,343,243)	(3,389,170)
Total funds	(2,143,144)	(2,189,071)
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	0%	0%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37. **Default loans under legal and Auction**
The company had 7 loan accounts with outstanding balance of Kshs. 17,397,554.00 under legal and auction. The company is following up on the cases to ensure timely conclusion.
38. **Incorporation**
The company is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.
39. **Events After the Reporting Period**
There were no material adjusting and non- adjusting events after the reporting period.
40. **Currency**
The Financial Statements are presented in Kenya Shillings (Kshs).

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Ref. No on External Audit Report	Issue/Observation from Auditor 2020/2021	Management comments	Focal point person to resolve the issue	Status: (Resolved/Not Resolved)	Time frame
1	<p>Non-Movement of Trade Receivables</p> <p>As previously reported the statement of financial position and as disclosed in Note 18(a) to the financial statements reflects a balance of Kshs. 204,586,000 for trade and other receivables which include debts amounting to Kshs. 11,560,232 which did not record any decrease from the respective balances of previous financial years. Although Management has indicated that they have pursued all means possible to recover the debts without success, a decision need to be reached by the Management on whether to continue to carry the debts in the books of account or to write them off as bad debts.</p> <p>In the circumstances, the accuracy and recoverability of the trade and other receivables balance of Kshs. 11,560,232 could not be confirmed.</p>	<p>We have duly noted your observation on trade and other receivables amounting to Kshs. 11,560,232.00 which did not record any movement from previous year.</p> <p>The company has done all it can to recover the debts and has been unsuccessful. Some of the debts are over 9 years old.</p> <p>We are in the process of submitting a report to the Board on the debts for consideration of write off.</p>	Finance Manager	Not Resolved	31/03/2023
2	<p>Staff Receivables</p> <p>As previously reported, the statement of financial position and as disclosed in Note 18(c) to the financial statements, reflects a balance of Kshs. 3,354,000 in respect to staff advances and imprests which includes a balance of Kshs. 2,521,473 held by staff members who have since left the Company. The recoverability of the same remains doubtful. Management has indicated that every effort has</p>	<p>We have duly noted your observation on outstanding imprest and advances for staff who have left the organization.</p> <p>Management has done all it can to recover the debts from the ex-staff without success. Some of the debts are more than 15 years old.</p>	FM	Not resolved	31/03/2023

Kenya Industrial Estates Limited

Reports and Financial Statements

For the year ended June 30, 2022

	<p>been made to recover these long outstanding amounts from the concerned staff without success, and that the balance is fully provided for in the financial statements. However, it is not clear why it has taken significantly long period to bring the matter to the Company's Board for discussion and appropriate action to be taken.</p> <p>In the circumstances, the accuracy and recoverability of the staff receivables and imprests balance of Kshs. 2,521,473 could not be confirmed.</p>	<p>The management is in the process of recommending to the Board for write-off the outstanding staff receivables.</p> <p>We have fully provided for the ex-staff receivables and the same has is being processes through the Board for write-off.</p>			
3	<p>Un-Supported Land Ownership</p> <p>The statement of financial position and as disclosed in Note 11(c) to the financial statements reflects several parcels of land measuring 47.9937 hectares which have no title documents. Available information indicates that the process of acquiring titles for these land parcels has been underway for significantly long duration. Management has indicated that they are pursuing the National Lands Commission to process and issue the ownership documents. However, by the time concluding this audit the title deeds were yet to be issued.</p> <p>In the circumstances, it was not possible to firm the rightful ownership of these parcels of land, and there is the risk of encroachment by private developers.</p>	<p>We have duly noted your observation on parcels of land with no ownership documents. The company has been actively pursuing the issuance of ownership documents from The National Land Commission and they are being processed.</p> <p>We will do the best we can to ensure the ownership documents are processed.</p> <p>We also wish to confirm that the parcels are owned by KIE and the company has put measures to safeguard the properties from encroachment even as ownership documents are being processed. Also, the parcels are recorded in the company books of accounts and have not been excluded.</p>	IEDISM	Not resolved	30/0 6/20 23

Parmain de Narike
 DR. PARMAN NARIKE, PHD, MBS
 MANAGING DIRECTOR

Date..... 23/2/2023

APPENDIX II: PROJECTS IMPLEMENTED BY KIE

The company is currently implementing one project which is Credit to Small and Medium Enterprises. This project is funded by GOK. The project implementation status is shown in the table below:

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources
1	Credit to SMES	5.350 Billion	3.363 Billion	62.86%	604.634 Million	604.634 Million	GOK and Internally Generated resources

APPENDIX III: INTER-ENTITY TRANSFERS

COMPANY NAME:		KENYA INDUSTRIAL ESTATES LTD		
Break down of Transfers from the State Department of Investment and Industry				
FY 21/22				
a.	Recurrent Grants			
		Bank Statement Date	(KShs'000)	2021-2022
		26/08/2021	20,853	
		30/09/2021	20,853	
		03/09/2021	20,854	
		01/11/2021	20,853	
		01/11/2021	20,854	
		02/12/2021	20,853	
		17/02/2022	20,853	
		03/03/2022	20,854	
		01/04/2022	20,853	
		04/05/2022	30,853	
		06/06/2022	30,853	
		27/05/2022	<u>30,854</u>	
			<u>280,240</u>	
b.	Development Grants			
		Bank Statement Date	(KShs'000)	2021-2022
		03/09/2021	151,158	
		03/09/2021	151,159	
		27/06/2022	151,158	
		06/07/2022	<u>151,159</u>	
			<u>604,634</u>	

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

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

Note: The Company did not receive any transfers from other government institutions during the year under review.

APPENDIX V: LIST OF BANK ACCOUNTS AS AT 30TH JUNE 2022

	DETAILS	BRANCH	ACCOUNT NUMBER	KSHS	KSHS
1	STANDARD CHARTERED BANK	INDUSTRIAL AREA	0104031412500	1,346,236,129.10	
2	STANDARD CHARTERED BANK	INDUSTRIAL AREA	0102031412501	7,072,717.60	
	TOTAL STANDARD CHARTERED BANK				1,353,308,846.70
1	KENYA COMMERCIAL BANK	NAIROBI-MOI AVENUE	1107215188	258,193,833.88	
2	KENYA COMMERCIAL BANK	MACHAKOS	1108307051	8,385,037.35	
3	KENYA COMMERCIAL BANK	THIKA	1102280186	45,282,204.67	
4	KENYA COMMERCIAL BANK	MACHAKOS	1106241037	9,733,851.25	
5	KENYA COMMERCIAL BANK	VOI	1108156622	55,100.00	
6	KENYA COMMERCIAL BANK	MURANGA	1108563848	50,013.10	
7	KENYA COMMERCIAL BANK	NAIROBI MASHARIKI	1120695562	1,887.80	
8	KENYA COMMERCIAL BANK	MACHAKOS	1108303382	103.95	
9	KENYA COMMERCIAL BANK	TALA	1116060817	1,766.50	
10	KENYA COMMERCIAL BANK	SULTAN-HAMUD	1106464184	17,664.90	
11	KENYA COMMERCIAL BANK	KILINDINI	1101521694	16.05	
12	KENYA COMMERCIAL BANK	MALINDI	1104272482	437.65	
13	KENYA COMMERCIAL BANK	VOI	1108156959	1,703.05	
14	KENYA COMMERCIAL BANK	TAVETA	1116182750	436.50	
15	KENYA COMMERCIAL BANK	NAKURU	1101899379	5,216.30	
16	KENYA COMMERCIAL BANK	NAROK	1116213605	111.50	
17	KENYA COMMERCIAL BANK	KABARNET	1103664379	1,283.85	
18	KENYA COMMERCIAL BANK	ELDORET	1102451290	352.30	
19	KENYA COMMERCIAL BANK	KERICHO	1107174058	1,341.45	
20	KENYA COMMERCIAL BANK	KAPSABET	1139206125	3,137.95	
21	KENYA COMMERCIAL BANK	KISII	1101873787	259.15	

Kenya Industrial Estates Limited

Reports and Financial Statements
For the year ended June 30, 2022

22	KENYA COMMERCIAL BANK	HOMA-BAY	1116061732	75.25	
23	KENYA COMMERCIAL BANK	SIAYA	1116061422	1,018.60	
24	KENYA COMMERCIAL BANK	NYAMIRA	1131844947	1,825.50	
25	KENYA COMMERCIAL BANK	NYERI	1101877294	1,874.90	
26	KENYA COMMERCIAL BANK	KARATINA	1101877294	28,992.40	
27	KENYA COMMERCIAL BANK	MURANGA	1108563112	104.30	
28	KENYA COMMERCIAL BANK	THIKA	1102280038	5,368.70	
29	KENYA COMMERCIAL BANK	EMBU	1102849480	1,594.40	
30	KENYA COMMERCIAL BANK	MERU	1103264095	1,527.55	
31	KENYA COMMERCIAL BANK	KAKAMEGA	1101753404	575.40	
32	KENYA COMMERCIAL BANK	BUNGOMA	1106222555	1,263.55	
33	KENYA COMMERCIAL BANK	BUSIA	1116061627	8,133.70	
34	KENYA COMMERCIAL BANK	KIMILILI	1137087676	19.00	
35	KENYA COMMERCIAL BANK	GARISSA	1107782651	32,253.45	
	TOTAL KENYA COMMERCIAL BANK				321,820,385.85
1	NATIONAL BANK	HARAMBE AVENUE	1003002830802	78,670,859.97	
2	NATIONAL BANK	KITUI	1003002830803	357.36	
3	NATIONAL BANK	KISUMU	1003023505800	123.20	
	TOTAL NATIONAL BANK				78,671,340.53
1	CO-OPERATIVE BANK	INDUSTRIAL AREA	1199027125100	15,256.00	
2	CO-OPERATIVE BANK	INDUSTRIAL AREA	1109027125100	152,580.00	
	TOTAL CO-OPERATIVE BANK				167,836.00
1	MPESA	SAFARICOM	948800	494,270.00	494,270.00
	TOTAL			1,754,462,679.08	1,754,462,679.08

APPENDIX VI: SCHEDULE OF KIE LAND PARCELS

S/No.	County	Size (Ha.) With Titles	Size (Ha.) Without Titles	Total Size (Ha.)
1.	Nairobi	1.058	0.195	1.253
2.	Machakos	3.0785	4.43	7.5085
3.	Homabay	-	1.27	1.27
4.	Makueni	1.6339	2.9678	4.6017
5.	Kwale	0	0.7500	0.7500
6.	Meru	0.2077	1.0160	1.2237
7.	Taita Taveta	0	3.7566	3.7566
8.	Kitui	2.0416	0	2.0416
9.	Nyeri	0.5251	0.1727	0.6978
10.	Kilifi town	0	4.5500	4.550
11.	Kirinyaga	0	0.8094	0.8094
12.	Muranga	0.2456	0	0.2456
13.	Mombasa	0.1568	0.6546	0.8114
14.	Nakuru	0.3362	0	0.3362
15.	Baringo	0.1402	0.390	0.5302
16.	Uasin Gishu	0.3304	2.0478	2.3782
17.	Trans Nzoia	2.5063	1.7937	4.3000
18.	Kericho	0.5299	0	0.5299
19.	Kisumu	0.9817	2.000	2.9817
20.	Siaya	1.233	1.8497	3.0827
21.	Kisii	0.4241	0.0325	0.4566
22.	Kakamega	2.3823	0.5927	2.975
23.	Bungoma	1.3000	2.9612	4.2612
24.	Narok	0	2.3870	2.3870
25.	Turkana	0	1.2100	1.2100
26.	Bomet	0	0.5000	0.5000

Reports and Financial Statements
For the year ended June 30, 2022

27.	Nandi	0	1.1870	1.1870
28.	Nyamira	0	0.4700	0.4700
29.	Busia	0	0.4000	0.4000
30.	Wajir	0	0.8000	0.8000
31.	Garissa	0	8.0000	8.0000
32.	Mandera	0	0.80000	0.8000
33.	Embu	1.9263	0	1.9263
	Total	21.0376	47.9937	69.0313

