

REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KENYA INDUSTRIAL ESTATES LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2021**



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY

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**KENYA INDUSTRIAL ESTATES LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2021**

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

*Kenya Industrial Estates Limited*

**Reports and Financial Statements  
For the year ended June 30, 2021**

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## I. 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

The KIE Vision is "To be the Leader in Incubation of and Support Services to Micro, Small and Medium Enterprises in Kenya".

### Mission

The KIE Mission Statement is "To finance, provide industrial workspace and offer business advisory services to Micro, Small and Medium Enterprises (MSMES) in Kenya"

### Core Values

The Company upholds the following values;

- (a) Professionalism,
- (b) Accountability
- (c) Innovativeness
- (d) Drive
- (e) Oneness
- (f) Social responsible (PAIDOS)

### 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.

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

No	Name	Position	Appointment date
1	Mugambi Imanyara	Chairman	Appointed Chairman of the Board of Directors on the 20 <sup>th</sup> September, 2018
2	Bob Karina	Director	Appointed on the 02/10/2015 Reappointed Director on 19/12/2018
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
5	Lucas Kirui	Director	Appointed on the 02/10/2015 Reappointed on 14/12/2018
6	Neto Agostinho	Director	Appointed on 14/12/2018
7	Harriette Igonanga Chiggai	Director	Appointed on 14/12/2018
8	Mark Kebenei	Director	Appointed on 14/12/2018
9	Evelyn Waithira Mwithirania	Director	Appointed on 14/12/2018
10	Simon Atebe	Alternate Director to Principal Secretary, State department for Industrialization	Appointed on 10/08/2020

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**Manager, Legal Services**

Charity Ndeke  
P.O. Box 78029-00507  
Nairobi5.

**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

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**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





 <p>1. Mugambi Imanyara        Chairman Board of Directors.</p>	<p>Mugambi Imanyara holds a Bachelor of Laws (LLB) degree from the University of Nairobi and a Post Graduate Diploma from the Kenya School of Law. He is an advocate of the High Court of Kenya and a Certified Public Secretary. He is a member of the Law Society of Kenya, the International Commission of Jurists and the Commonwealth Law Association.</p> <p>He has over 28 years' experience in private practice and consultancy and has consulted extensively for both the Government of Kenya and Non-Governmental Organisations</p>
 <p>2. Amb. Peter Kaberia, CBS        Principal Secretary,        State Department for Industrialization</p>	<p>Ambassador Kirimi Kaberia is a career Diplomat having served in many countries. He was the Principal Secretary for State Department for Mining &amp; 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 &amp; 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 Aspins Centre in Washington DC.</p> <p>Amb. Kirimi Kaberia holds a Masters 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.</p>
 <p>3. 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 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.</p> <p>He joined on 5<sup>th</sup> September, 2016.</p>



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 <p>4. Bob Karina Director</p>	<p>Bob Karina holds a Master of Science (MSc) in Corporate Finance from the University of Liverpool (UK). He is an accomplished stockbroker, an information technology professional and a successful businessman. He has broad experience in advising institutional and corporate investors, corporate finance consulting and research analysis. He is also the Chairman and Founder of Faida Investment Bank.</p> <p>He joined the Company on the 2<sup>nd</sup> October, 2015 and was reappointed on 19/12/2018.</p>
 <p>5. CPA Geoffrey K. Mwitari Alternate Director to Principal Secretary, The National Treasury</p>	<p>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.</p> <p>He joined the Company on the 14th October, 2015.</p>
 <p>6. Lucas Kirui Director</p>	<p>Lucas Kirui holds a Diploma in Sales and Marketing and has experience in procurement management. He also has experience in Marketing and administration.</p> <p>He joined the Company on the 2<sup>nd</sup> October, 2015 and was reappointed on 19/12/2018.</p>
 <p>7. Mark K. Kebenei Director</p>	<p>Mark K. Kebenei holds a Bachelors 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.</p> <p>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.</p> <p>He is an established businessman in the petroleum and gas industry.</p> <p>He joined the Company on 14/12/2018.</p>

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8. Evelyn Waithira Mwithirania, HSC  
Director

Evelyn Waithira Mwithirania, HSC is a holder of Masters 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 14<sup>th</sup> December, 2018.



9. Harriette Chiggai  
Director

Harriette Chiggai is an Advocate of the High Court of Kenya. She is the Vice 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 14<sup>th</sup> December, 2018.

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10. Neto Agostinho  
Director

Neto Agostinho 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 Ndhwa 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 vice 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 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.

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).





He joined the Company on 14/12/2018.

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 <p>11. Charity Ndeke Manager, Legal Services &amp; 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>
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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 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.</p> <p>He joined on 5<sup>th</sup> 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>He joined the company on 19<sup>th</sup> July, 1993.</p>
 <p>4. Charity Ndeke Manager, Legal Services &amp; 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>

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 <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 &amp; 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.</p> <p>He joined KIE in 1986 as a Projects Officer and rose through the ranks as Branch Manager, Regional Manager and Head of Department as 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>

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9. Doreen K. Kimathi  
Manager, Credit Department

Mrs. Doreen Kimathi is currently the Acting 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.

**IV. CHAIRPERSON'S STATEMENT**



Dear Shareholders,

It gives me great pleasure to present to you 2020/2021 Annual Report and Financial Statements for Kenya Industrial Estates (KIE).

This was unusual period when the Covid-19 Pandemic and the ensuing containment measures, caused disruption in economies, both globally and locally, severely disrupting businesses and livelihoods. This affected the Micro, Small and Medium Enterprises we serve, our staff and their families.

**Mitigating the Effects of Covid-19 Pandemic to the Micro, Small and Medium Enterprises (MSMEs)**

The Micro, Small and Medium Enterprises were among the most severely impacted by the Covid-19 pandemic, due to measures put in place to contain the spread of the pandemic. This is a key sector which contributes significantly to Kenya economy; employing 14.9 Million people (KNBS, 2016) and accounting for 81.1 % of employment. The sector contributes to 34% to GDP and account to 98% of all Businesses in Kenya.

Kenya Industrial Estates, being a Government agency charged with the mandate of developing Micro, Small and Medium Enterprises in the manufacturing sector, was involved in implementing the Post Covid-Economic Stimulus Programme (PC-ESP) whose aim was cushion citizens and businesses from the adverse effects of the pandemic. Through this programme, Kenya Industrial Estates supported revival of businesses by provided the much needed liquidity.

**Business Performance**

Kenya Industrial Estates deliver a resilient performance in all the key result areas. The company provided credit to MSMEs amounting to Kshs. 982.3 Million in 2020/2021 FY, trained 42,173 entrepreneurs on business and technical skills and linked 3,968 entrepreneurs to markets, source of materials and technology. The company posted a profit for a second year running signifying the turnaround strategy developed by the Boards has continued to produce positive results. These impressive results were achievements despite the economic shock experienced within the period.

**Turnaround Strategy**

The Board will continue to implement the turnaround strategy to achieve the desired objectives of becoming financially viable and self-sustaining, broadening KIE product offering and creating a positive brand image through marketing and communication.

**Community Engagement**

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



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**Outlook**

The global economy is projected to grow by 5.2 percent in 2021 supported by rollout of covid-19 vaccine. The Kenya economy is projected to grow by 6.4 percent in 2021 reflecting recovery due to re-opening of economic activities. This growth is expected to be supported by stable macro-economic environment, turnaround in trade as economies recover from covid-19 pandemic, expected favourable weather and on-going investment in Big 4 Agenda. This will create a favourable environment for KIE to support the development of Micro, Small and Medium Enterprises in the country.


**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.

  
For **MUGAMBI IMANYARA,**  
**CHAIRPERSON, BOARD OF DIRECTORS**

## V. REPORT OF THE CHIEF EXECUTIVE OFFICER



I am delighted to present Kenya Industrial Estates annual report the year ended 30th June 2021. This was an extraordinary year because of the disruption to businesses caused by the Covid-19 pandemic. The Micro, Small and Medium Enterprises (MSMEs) were severely affected by the pandemic and Kenya Industrial Estates, as a government agency charged with the mandate of developing Micro, Small and Medium Enterprises was able to support the revival of the enterprises by providing the much needed liquidity.

### **Our Purpose**

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

### **Business Environment**

The Kenya economy was not spared the negative impact of the covid-19 pandemic and slowed down to grow by 0.6 percent in 2020. The pandemic disrupted normal lives, livelihoods and economic activities, particularly the Micro, Small and Medium Enterprises. However, the economy is projected to rebound and grow by 6.4 percent in 2021 and an average of 6.2 percent in the medium term supported by macro-economic stability, turnaround in trade, favourable weather, and on-going investment in strategic priorities of government under the BIG Four agenda, economic stimulus programme and implementation of Post Covid-19-Economic Recovery Strategy.

### **Business Performance**

The company recorded a remarkable performance in its operations in the year 2020/2021 despite the uncertainty caused by the Covid-19 Pandemic. The company provided credit to Micro, Small and Medium Enterprises amounting to Kshs. 982.3 Million, trained 42,173 entrepreneurs on business and technical skills and linked 3,968 enterprises to markets, source of raw materials and technology. The company was involved in the implementation of the post covid-19-economic stimulus programme through provision of liquidity to the enterprises to support their revival.

The implementation of the Big-4 Agenda under the manufacturing pillar was also one of the key focus areas for the Company during the period. The company continued to implement the manufacturing pillar by providing credit to MSMEs in manufacturing sector, which is critical for job and wealth creation.

### **Financial Performance**

During the period under review, the Company posted a pre-tax profit of Kshs.23.27 Million compared to a pre-tax loss of Kshs. 8.9 Million in 2019/2020. Company Assets increased to Kshs. 5.23 Billion as at 30<sup>th</sup> June 2021 compared to assets of Kshs. 4.49 Billion as at 30<sup>th</sup> June 2020. This is the second

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year in a row the company has reported profit and the remarkable performance signifies the company's resilience and determination to remain profitable.

#### Strategy

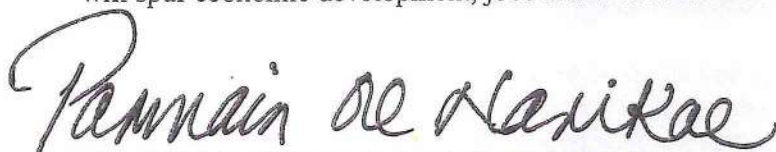
Over the last four years, the company has been working towards turning around and becoming financially sustainable. We have now started to realise benefits from this strategy and we intend to entrench and build on the achievements made so far in to the future. Financial sustainability, product diversification and brand image will remain areas of key focus in our strategy.

#### Our people

The organization's good results would not have been possible without the commitment and effort of each employee. Our people are the most important link in provision of services to MSMEs 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 economy is projected to recover and the on-going vaccinations are expected to culminate in the full reopening of the economy. Kenya Industrial Estates will continue to provide liquidity and Business and Technical Advisory services to the MSMEs to support revival of the enterprises. This will spur economic development, jobs and wealth creation.



**DR. PARMAIN OLE NARIKAE, PhD, MBS  
MANAGING DIRECTOR**

**VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021**

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 company performance against predetermined objectives.

Kenya Industrial Estates has 4 strategic pillars and 5 strategic objectives within the current Strategic Plan for the FY 2018-FY2023. These strategic pillars are as follows:

Pillar 1: *Align KIE activities to the Vision 2030 developmental pillars.*

Pillar 2: *Grow revenue to attain financial self-sustainability.*

Pillar 3: *Enhance operational efficiency to a level comparable with best practices in the industry.*

Pillar 4: *Strengthen the KIE brand*

These strategic objectives are as follows:

Strategic Objective 1: Scale up KIE Operations in line with Vision 2030 goals

Strategic Objective 2: Enhance profitability and financial sustainability of the organization

Strategic Objective 3: Enhance efficiency and effectiveness in service delivery

Strategic Objective 4: Enhance institutional capacity

Strategic Objective 5: Enhance KIE corporate image

Kenya Industrial Estates develops its annual work plans based on the above 5 strategic 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 2020/2021 period for its 5 strategic objectives, as indicated in the diagram below:-

Strategic Pillar	Strategic Objectives	Key Performance Indicators	Activities	Achievements
<b>Pillar 1: Align KIE activities to the Vision 2030 developmental pillars</b>	1: Scale up KIE Operations in line with Vision 2030 goals	<ul style="list-style-type: none"> <li>Turnaround time (TAT) in loan disbursement</li> <li>Amount of credit disbursed to MSMEs</li> <li>No. of entrepreneurs trained</li> <li>No. of jobs created</li> <li>No. of linkage created</li> </ul>	<ul style="list-style-type: none"> <li>Improve turnaround time from 50 days to 44 days</li> <li>Disburse Kshs 960.0 million</li> <li>Train 30,000 entrepreneurs</li> <li>Create 28,800 jobs</li> <li>Facilitate creation of 3,000 linkages</li> </ul>	<ul style="list-style-type: none"> <li>TAT of 43.5 days</li> <li>Disbursed Kshs 982.3 million</li> <li>Trained 42,173 entrepreneurs</li> <li>Created 29,470 jobs</li> <li>Created 3,968 linkages</li> </ul>
<b>Pillar 2: Grow revenue to attain financial self-sustainability</b>	2: Enhance profitability and financial sustainability of the organization	<ul style="list-style-type: none"> <li>Healthy balance sheet that is attractive to potential investors</li> <li>Reduced losses</li> </ul>	<ul style="list-style-type: none"> <li>Recapitalization of KIE to the tune of Kshs. 712.0 million</li> <li>Post a pre-tax loss of Kshs 74.9 million</li> </ul>	<ul style="list-style-type: none"> <li>Received of Kshs 712.0 million GOk development grant</li> <li>Achieved a Profit of Kshs 23.27 million</li> </ul>

Kenya Industrial Estates Limited

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Strategic Pillar	Strategic Objectives	Key Performance Indicators	Activities	Achievements
<b>Pillar 3: Enhance operational efficiency to a level comparable with best practices in the industry</b>	3: Enhance efficiency and effectiveness in service delivery	<ul style="list-style-type: none"> <li>Improved service delivery</li> </ul>	<ul style="list-style-type: none"> <li>Reduce turnaround time on loan appraisal</li> </ul>	Reduced turnaround time on loan processing from 50 days to 43.5 days
<b>Pillar 4: Strengthen the KIE brand</b>	5: Enhance KIE corporate image	<ul style="list-style-type: none"> <li>KIE and its products Marketed</li> <li>Promotional activities undertaken</li> </ul>	<ul style="list-style-type: none"> <li>Institute product awareness and promotional activities</li> <li>Undertake synergy marketing with partners</li> </ul>	<ul style="list-style-type: none"> <li>Participated in Kericho SME Expo 2021 held on June 17th to 19th, 2021 at Moi grounds Kericho.</li> <li>100 SMEs drawn from Kericho County and the larger North and South Rift region exhibited in the event.</li> <li>The company participated in World SME Day on 27th June 2021, Nation Media Group &amp; KNCCI SME Expo held on March 17th &amp; 20th 2021 at K.I.C.C Nairobi, Biashara Centre Launch in Eldoret, Mombasa and Kisumu in the month of March 2021, Africa Industrialization Day 2020 Celebrations on 20th November, 2020 and KIPI Sensitization Workshop 12th - 16th October 2020, Baringo County</li> <li>Digital Presence</li> <li>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.</li> </ul>

## 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 behavior;
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;

## **Kenya Industrial Estates Limited**

### **Reports and Financial Statements**

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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:

## **Kenya Industrial Estates Limited**

### **Reports and Financial Statements For the year ended June 30, 2021**

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

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The Board held 4 meetings 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
Bob Karina	4	4	100%
Lukas Kirui	4	4	100%
Mugambi Imanyara	4	4	100%
Harriette Chiggai	4	4	100%
Mark Kebenei	4	4	100%
Evelyn Waithira Mwithirania	4	4	100%
Agostinho Neto	4	4	100%
Simon Atebe	4	4	100%
Geoffrey Mwitari	4	4	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 64 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.

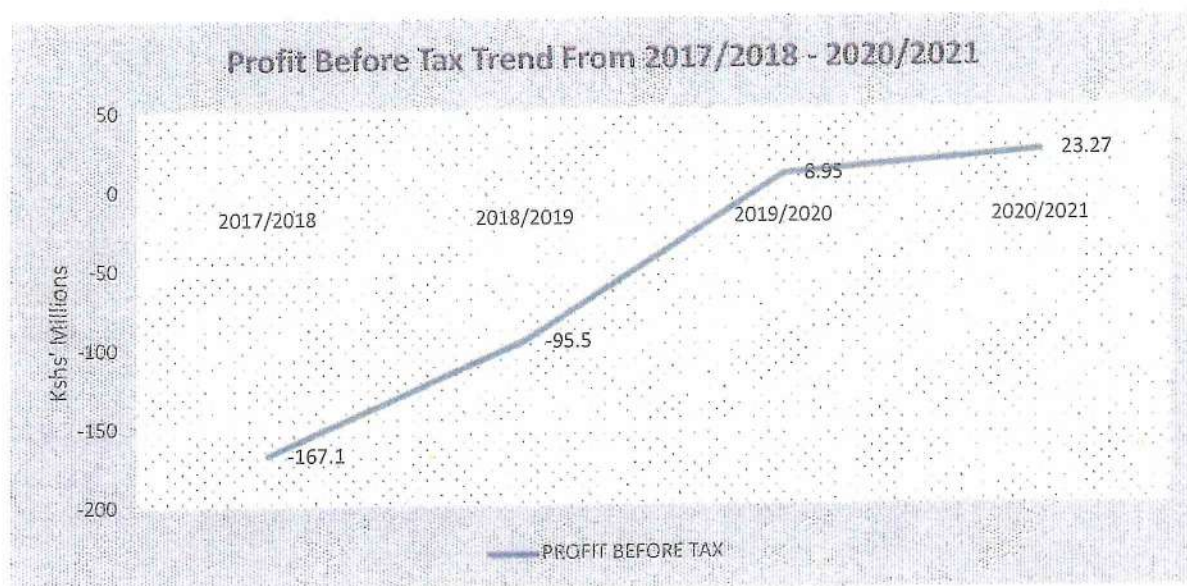
VIII. MANAGEMENT DISCUSSION AND ANALYSIS

1. Financial Performance

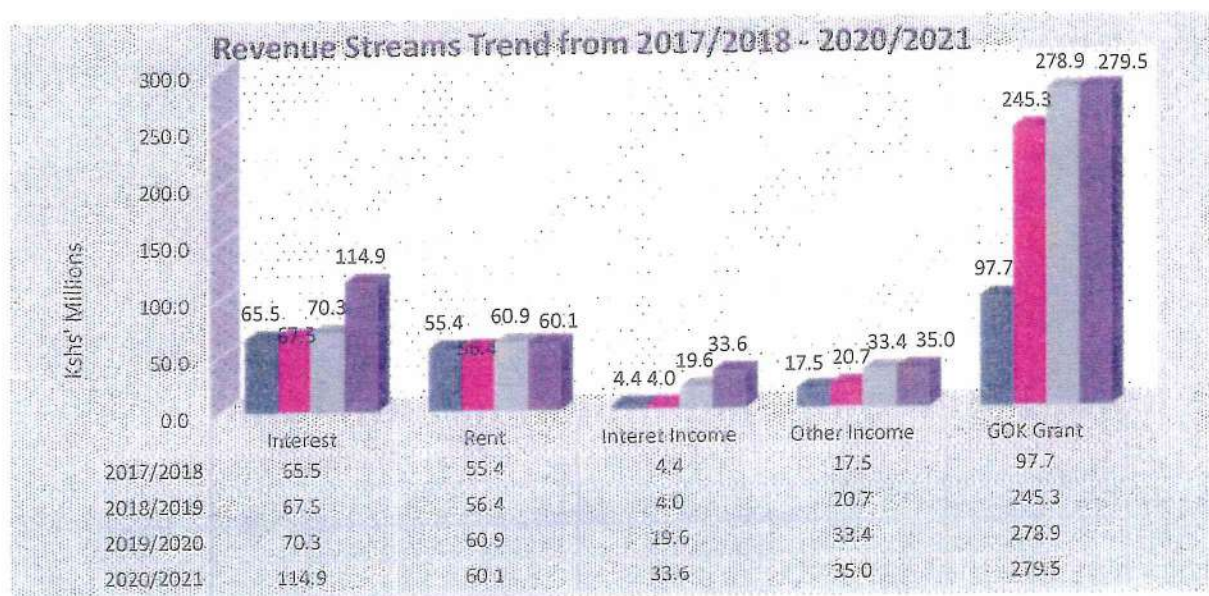
(a) Pre-tax

During the Financial year 2020/2021, the Company posted a pre-tax profit of Kshs.23.27 Million. This is compared to a profit of Kshs. 8.95 million for the last Financial Year 2019/2020, a loss of Kshs 95.5 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 0.44%.

Profit before Taxation Trend for the last four years



Revenue Streams Trend for the Last Four years

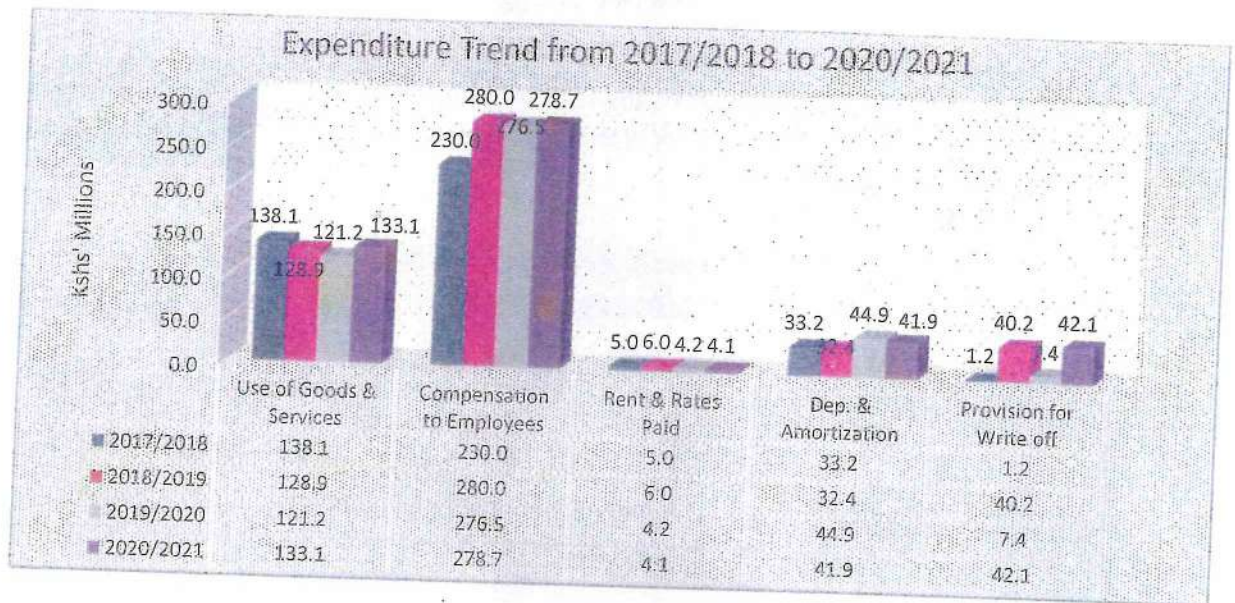


# Kenya Industrial Estates Limited

## Reports and Financial Statements

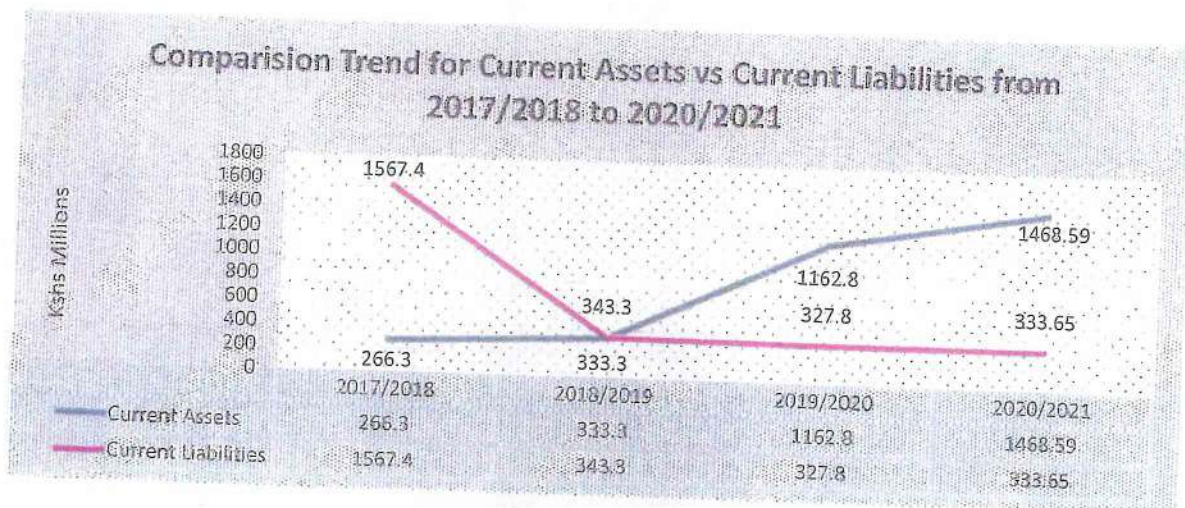
For the year ended June 30, 2021

The Company's operating expenditure for the financial year under review was Kshs 499.87 million compared 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

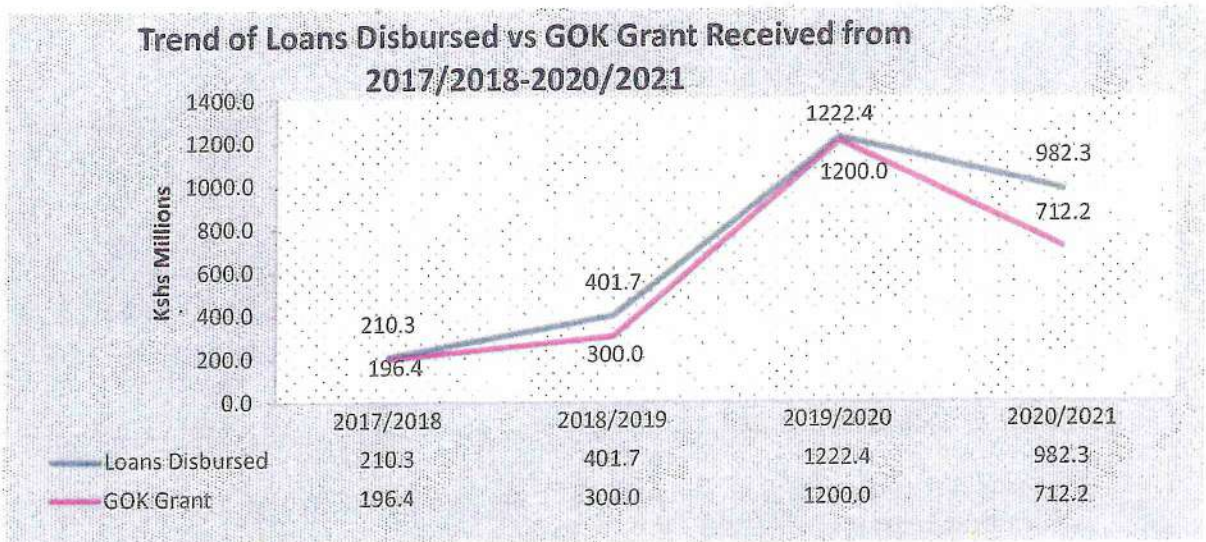
The company total assets as at 30<sup>th</sup> June, 2021 stood at Kshs. 5.23 Billion compared to Kshs 4.5 Billion for the last Financial Year, Kshs 3.29 Billion for the 2018/2019 Financial year and Kshs 3.32 Billion for the 2017/2018 Financial Year. The company current assets amounted to Kshs. 1.47 Billion compared to current liabilities amounting to Kshs. 333.65 million. Current assets for same period in the last financial year amounted to Kshs.1.16 Billion while current liabilities for same period in the last financial year 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:

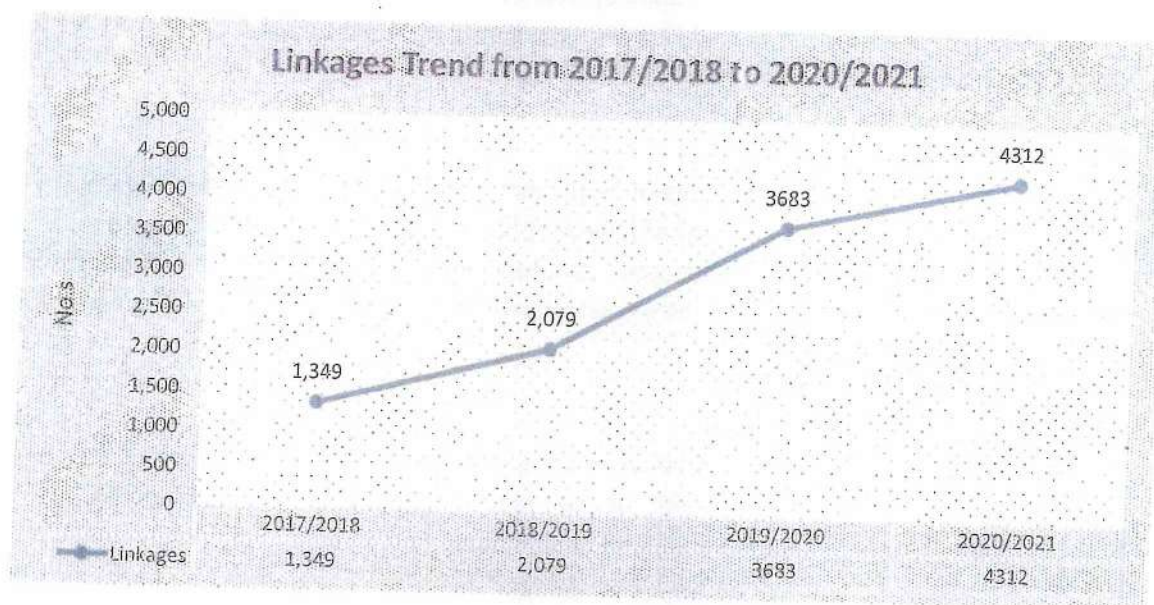
a) **Credit to SMEs:** For the period under review, the company disbursed Kshs 982.3 Million to SMEs. This compares to Kshs.1222.4 Million disbursed in the 2019/2020 Financial Year, Kshs 401.7 in the financial year 2018/2019 and Kshs 210.3 Million in the financial year 2017/2018. This is graphically depicted below.



b) **Entrepreneurship Training:** For the period under review, the company trained to 42,173 SMEs across the country. This compares to 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.



c) **Linkages:** For the period under review, the company recorded 17.1 % growth in linkages of SMEs to large enterprises, market and suppliers of machinery. The company linked 4,312 SMEs compared to 3,683 linkages in the previous year, 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

**Kenya Industrial Estates Limited**

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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 which is founded on Four Pillars; Pillar 1: Align KIE activities to the Vision 2030 developmental pillars; Pillar 2: Grow revenue to attain financial self-sustainability; Pillar 3: Enhance operational efficiency to a level comparable with best practices in the industry; Pillar 4: Strengthen the KIE brand.

### (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 staff 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 and the communities in the areas we conduct our activities. Our mandate of supporting Industrialization through development of Micro, Small and Medium Enterprises (MSMEs) is aligned to sustainable Development Goal 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 Financial Sustainability, Environment, Our employees, market place practices and community engagement.

### (ii). Financial Sustainability

Financial Sustainability is Key to realising the organizations Mandate of promoting Industrialization through Development of Micro, Small and Medium Enterprises in Kenya. KIE is one of the key organization implementing the BIG 4 Agenda under the industrialization Pillar by providing credit to MSMEs, which is a government-funded project. We have also scaled up our operation, broadened our products offering, and ensured our products are competitive. To ensure our customers develop successful industries, we walk with them in their entrepreneurial journey through our Business and Technical and Advisory Services and we link them to markets. In order to ensure sustainability, we are constantly seeking partners to support our programmes.

### (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.

## **Kenya Industrial Estates Limited**

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

The company, in the financial year 2020/21, spearheaded planting of trees in all of its 37 branches spread countrywide. More than 500 trees were planted. The tree planting exercises underscored our commitment and contribution towards the Greening Kenya Campaign, which aims at attaining a 10% forest cover.

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

Equally, the company in its lending program, is prioritizing giving loans to enterprises that are climate friendly and those that are devising innovative solutions towards conservation, and reducing impacts of climate change.

#### **(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 52% Male and 48% 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.

#### **Performance Measurement and Reward**

The company employs performance measurement and reward system to ensure productivity. We measure each employee's performance based on the pre-negotiated and agreed performance targets drawn from the company's annual work plan.

#### **Employee Engagement**

Having engaged employees is critical to the achievement of 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 2020/21, KIE trained youth, women and persons living with disabilities (PWD) on accessing government procurement opportunities. These group benefited from procurement opportunities worth Ksh. 15.2 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. In the financial year 2020/21, KIE organized financial literacy programs targeting women entrepreneurs in Nairobi, Kisumu and Nakuru. As part of KIE's outreach program on entrepreneurship training, KIE conducted a successful capacity building for small enterprises in Kieni, training of youth and women on entrepreneurship in Kericho and Baringo.

KIE also donated sanitizers, soaps and facemask to SMEs in Coast, Nairobi and Kisumu regions as part of the company's contribution to mitigate the spread of Covid -19 donated 20 gas cylinders filled with oxygen to Meru County. The oxygen cylinders were vital in supporting the Meru Teaching and Referral Hospital and Sub-County hospitals which were facing a shortage on oxygen for Covid -9 patients.

## 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, 2021 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 16/9/2021

## 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, 2021. 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, 2021, 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 16/9/ 2021 and signed on its behalf by:

  
Ton MUGAMBI IMANYARA  
CHAIRPERSON OF THE BOARD

  
DR. PARMAN OLE NARIKAE, PhD, MBS  
MANAGING DIRECTOR

# REPUBLIC OF KENYA

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E-mail: 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, 2021

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### 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 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 35 to 76, which comprise the statement of financial position as at 30 June, 2021, and the statement of profit or loss and other comprehensive income,

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*Report of the Auditor-General on Kenya Industrial Estates Limited for the year ended 30 June, 2021*

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 matters 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, 2021, 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. Non-Movement of Trade Receivables**

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 includes 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.

In the circumstances, the accuracy and recoverability of the trade and other receivables balance of Kshs.11,560,232 could not be confirmed.

#### **2. Staff Receivables**

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 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.

In the circumstances, the accuracy and recoverability of the staff receivables and imprests balance of Kshs.2,521,473 could not be confirmed.

#### **3. Un-Supported Land Ownership**

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 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.

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 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 Matters**

Various prior year audit issues remained unresolved as at 30 June, 2021. Management has not provided reasons for the delay in resolving the prior year audit issues.

### **Other Information**

The Directors are responsible for the other information, which comprises the Chairman's Report, Report of the Managing Director, 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, except for the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing

else 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**

#### **1. Long Outstanding Payables**

The statement of financial position reflects trade and other payables balance of Kshs.109,889,000, and as disclosed in Note 24 to the financial statements. Included in this balance is an amount of Kshs.102,338,000 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.

#### **2. Corporation Tax Arrears**

As previously reported, the statement of financial position and as disclosed in Note 29(c) to the financial statements reflects contingent liability - Corporation tax balance of Kshs.140,200,000 in respect to interest and penalties on tax arrears for the period 1994 to 2014. Management has indicated that it has paid the principal taxes and is in constant discussion with Kenya Revenue Authority (KRA) for the waiver of interest and penalties. However, by the time of concluding this audit, the issue was still outstanding and pending resolution with the KRA.

The outstanding tax of Kshs.140,200,000 will continue to attract further interest and penalties.

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

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 else 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 and returns.

## **Responsibilities of Management and the Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal 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 the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and



systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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

25 July, 2022

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Kenya Industrial Estates Limited

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For the year ended June 30, 2021

**XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2021**

	Note	2021 Kshs'000	2020 Kshs'000
<b>REVENUES</b>			
Revenue	1	174,991	131,230
Grants from National Government	2 (a)	279,540	278,936
Finance Income	3	33,557	19,545
Other Income	4	35,046	33,448
<b>TOTAL REVENUES</b>		<u>523,134</u>	<u>463,159</u>
<b>OPERATING EXPENSES</b>			
Administration Costs	5	499,865	454,209
<b>TOTAL OPERATING EXPENSES</b>		<u>499,865</u>	<u>454,209</u>
<b>PROFIT/LOSS BEFORE TAXATION</b>	7	<u>23,269</u>	<u>8,950</u>
Less Taxation (Tax Charge)	8	5,114	2,639
<b>PROFIT/LOSS AFTER TAXATION</b>		<u>18,155</u>	<u>6,311</u>
Earnings per share – basic and diluted	9	<u>5</u>	<u>2</u>
Dividend per share	10	<u>-</u>	<u>-</u>

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For the year ended June 30, 2021

XIV. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE, 2021

	Note	2021 Kshs'000	2020 Kshs'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	11(a)	838,919	861,326
Leasehold Land	12	493,652	498,072
Intangible assets	13	9,496	10,171
Investment property	14	998,585	998,585
Unquoted investments	15	-	-
Staff receivables due after one year	18(b)	31,943	15,596
Loans	16	1,392,817	952,265
<b>Total Non-Current Assets</b>		<b>3,765,412</b>	<b>3,336,015</b>
<b>Current Assets</b>			
Inventories	17	6,354	5,410
Trade and other receivables	18(a)	54,445	53,159
Bank and cash balances	19	1,407,791	1,104,221
<b>Total Current Assets</b>		<b>1,468,590</b>	<b>1,162,790</b>
<b>Total Assets</b>		<b>5,234,002</b>	<b>4,498,805</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	20	80,277	80,277
Reserves	21	4,784,464	4,055,238
<b>Capital and Reserves</b>		<b>4,864,741</b>	<b>4,135,515</b>
<b>Non-Current Liabilities</b>			
Deferred Tax Liability	23	35,608	35,528
<b>Total Non-Current Liabilities</b>		<b>35,608</b>	<b>35,528</b>
<b>Current Liabilities</b>			
Borrowings	22	218,518	218,518
Trade and other payables	24	109,889	107,330
Provision for leave pay	26	5,246	1,914
<b>Total Current Liabilities</b>		<b>333,653</b>	<b>327,762</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,234,002</b>	<b>4,498,805</b>

The financial statements were approved by the Board on 16/9/2021 and signed on its behalf by:

*DR. Parmain ole Narikae*  
Managing Director

*CPA Charles M. Mativo*  
Finance Manager  
ICPAK No. 3736

*Mugambi Imanyara*  
Board Chairman

*Kenya Industrial Estates Limited*

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**XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2021**

	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, 2019	80,277	22,523	68,637	190,257	838,405	1,210,000	3,931,659	(3,432,517)	2,909,241
Government grant							1,200,000		1,200,000
GOK loan write off									
Transfer to Retained Profit									
Total comprehensive Loss									
At June 30, 2020	80,277	22,523	68,637	190,257	838,405	1,210,000	5,131,659	(3,406,243)	4,135,515
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 Note (2 b)							712,153		712,153
Transfer of amortization from capital fund to retained earnings									
Prior year adjustments Note (33)									
Transfer to Retained profit (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

*Kenya Industrial Estates Limited*

**Reports and Financial Statements  
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**XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2021**

	Note	2021 Kshs'000	2020 Kshs'000
<b>OPERATING ACTIVITIES</b>			
Cash generated from / (used in) operations	27(a)	(427,777)	(337,988)
Interest received	3	33,557	19,545
<b>Net cash generated from/ (used in) operating activities</b>		<b>(394,220)</b>	<b>(318,443)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	11(a)	(14,363)	(69,121)
<b>Net cash generated from/ (used in) investing activities</b>		<b>(14,363)</b>	<b>(69,121)</b>
<b>FINANCING ACTIVITIES</b>			
GOK Development Grant	2(b)	712,153	1,200,000
Repayment of borrowings	22(a)	-	-
<b>Net cash generated from/ (used in) financing activities</b>		<b>712,153</b>	<b>1,200,000</b>
<b>INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>303,570</b>	<b>812,436</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	27(b)	<b>1,104,221</b>	<b>291,785</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	27(b)	<b>1,407,791</b>	<b>1,104,221</b>

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



Kenya Industrial Estates Limited

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**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE, 2021**

	Original budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	Percentage (%) variance	Explanation on material variances
	2020-2021		2020-2021	2020-2021			
Revenue	Shs'000'	Shs'000'	Shs'000'	Shs'000'	Shs'000'		
Interest Income	113,400	-	113,400	114,908	1,508	1%	
Grant from National Government	249,540	30,000	279,540	279,540	-	-	
Rent Income	64,700	-	64,700	60,083	(4,617)	-8%	
Other Income	48,200	-	48,200	35,046	(13,154)	-38%	(a)
Finance Income	-	-	-	33,557	33,557	100%	(b)
<b>Total income</b>	<b>475,840</b>	<b>30,000</b>	<b>505,840</b>	<b>523,134</b>	<b>17,294</b>	<b>3%</b>	
<b>Expenses</b>							
Compensation to Employees	279,911	-	279,911	278,677	1,234	0%	
Use of Goods and Services	138,229	-	138,229	138,216	13	0%	
Rent Paid	4,200	-	4,200	4,081	119	3%	
Amortization and Depreciation	42,551	-	42,551	41,865	686	2%	
Provision write off	2,000	-	2,000	42,140	(40,140)	-95%	(c)
<b>Total Expenditure</b>	<b>466,891</b>	<b>-</b>	<b>466,891</b>	<b>504,979</b>	<b>(38,088)</b>	<b>-8%</b>	
<b>Net Profit / Loss for the Period</b>	<b>8,949</b>	<b>30,000</b>	<b>38,949</b>	<b>18,155</b>	<b>55,382</b>	<b>33%</b>	

**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

## XVIII. 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) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

#### *IFRS 16: Leases*

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. Based on the Directors' assessment the impact of the standard is not significant and its application will be implemented in the organizations financial statements in the annual period beginning 1<sup>st</sup> July, 2020.

### *Amendments to IAS 1 and IAS 8: Definition of material*

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

According to the Directors assessment, the amendment to IAS 1 and IAS 8 has no impact on the Financial Statements of the Company. *IFRS 17 Insurance Contracts (Issued 18 May 2017)*

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

### *Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018-Applicable for annual periods beginning 1 January 2020)*

Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

- ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, or depreciated so that its depreciable amount is allocated on a systematic basis over its useful life. *(Effective from 1 January 2022)*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable). (*Effective 1<sup>st</sup> January 2022*).

iii) Early adoption of Standards.

*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.*

**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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**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.

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.

**c) 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**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.

**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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**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 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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

**r) Budget Information**

The original budget for FY 2020-2021 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 company upon receiving the respective approvals in order to conclude the final budget.

The Company'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.

**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, 2020

**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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 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.

**Kenya Industrial Estates Limited**

**Reports and Financial Statements**

**For the year ended June 30, 2021**

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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.

**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.

Kenya Industrial Estates Limited

Reports and Financial Statements  
For the year ended June 30, 2021

NOTES TO FINANCIAL STATEMENTS (Continued)

	2021 Kshs'000	2020 Kshs'000
<b>1. REVENUE</b>		
Interest income from loans	114,908	70,315
Rent income	70,702	72,075
Less: VAT on rent	(10,619)	(11,160)
	<u>174,991</u>	<u>131,230</u>
<b>2. GRANTS FROM NATIONAL GOVERNMENT</b>		
(a) Recurrent grants received	279,540	278,936
(b) Capital grants received	712,153	1,200,000

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	2019-2020 Kshs'000
State Department of Investment and Industry	279,540			279,540	278,936
<b>Total</b>	<b>279,540</b>			<b>279,540</b>	<b>278,936</b>

**3. FINANCE INCOME**

Interest from commercial banks	33,557	19,545
	<u>33,557</u>	<u>19,545</u>

**4. OTHER INCOME**

Commissions & charges	4,687	20,060
Sale of tender documents	13	19
Business Development Services Income	21,896	4,731
Miscellaneous receipts	<u>8,450</u>	<u>8,638</u>
	<u>35,046</u>	<u>33,448</u>

Kenya Industrial Estates Limited

Reports and Financial Statements

For the year ended June 30, 2021

NOTES TO FINANCIAL STATEMENTS (Continued)

5. ADMINISTRATION COSTS

Staff costs (Note 5a)	278,677	276,500
Directors' emoluments (Note 6b)	15,219	12,861
Electricity and water	5,612	2,420
Communication services and supplies	15,074	14,383
Transportation, travelling and subsistence	24,906	24,777
Advertising, printing, stationery and photocopying	16,147	17,168
Rent and Rates expenses	4,081	4,189
Hospitality supplies and services	17	9
Insurance costs	9,304	10,770
Bank charges and commissions	1,769	1,718
Office and general supplies and services	7,331	7,631
Auditors' remuneration	696	696
Legal fees	15,883	6,643
Consultancy fees	-	1,419
Repairs and maintenance	1,023	1,681
Other operating expenses	20,121	19,047
Depreciation & Amortization (Note 12-14)	41,865	44,927
Prov. for bad and doubtful debts (Note 6)	<u>42,140</u>	<u>7,370</u>
	<u>499,865</u>	<u>454,209</u>

5(a) STAFF COSTS

Salaries and allowances of permanent employees	220,730	217,035
Staff Training Expenses	5,185	5,272
Medical Expenses	28,262	29,111
Fringe benefit tax	231	186
Staff Welfare	-	1,318
Wages of temporary employees	1,649	2,408
Compulsory national social security schemes	525	543
Other pension contributions	20,607	19,139
Leave pay and Gratuity provisions	<u>1,488</u>	<u>1,488</u>
	<u>278,677</u>	<u>276,500</u>

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

Permanent employees – Management	15	20
Permanent employees – Technical and Support Staff	198	200
Temporary and contract employees	2	2
	<u>215</u>	<u>222</u>

**Kenya Industrial Estates Limited**

**Reports and Financial Statements  
For the year ended June 30, 2021**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	Kshs'000	Kshs'000
<b>5(b) DIRECTORS EMOLUMENTS</b>		
Sitting Allowances	5,982	4,701
Honoraria	1,044	907
Other Allowances	8,193	7,253
	<u>15,219</u>	<u>12,861</u>

**6. PROVISION FOR BAD DEBTS**

Provision for bad debts & doubtful debts	(42,140)	(7,370)
	<u>(42,140)</u>	<u>(7,370)</u>

**KENYA INDUSTRIAL ESTATES LTD  
PROVISION FOR BAD & DOUBTFUL DEBTS 2020/2021**

Type of provisions	Loans	Leave provision	Rent provision	write off	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
General provision	10,424	-	-	-	10,424
Specific provision	(25,707)	-	-	-	(25,707)
Write back/off	-	(3,332)	(10,412)	(13,113)	(26,857)
<b>Total Provision</b>	<u>(15,283)</u>	<u>(3,332)</u>	<u>(10,412)</u>	<u>(13,113)</u>	<u>(42,140)</u>

Kenya Industrial Estates Limited

Reports and Financial Statements

For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2021  
Kshs'000

2020  
Kshs'000

7. OPERATING PROFIT / (LOSS)

The operating profit / (loss) is arrived at, after charging/ (crediting):

Staff costs (note 6b)	278,677	276,500
Amortization and Depreciation	41,865	44,927
Directors' Emoluments-Fees	7,026	5,608
Directors' Emoluments-Others	8,193	7,253
Provision for bad and doubtful debts	42,140	7,370
Auditors' remuneration - current year fees	696	696
Interest receivable	(114,908)	(70,315)
Rent receivable	(60,083)	(60,915)
	<u>203,606</u>	<u>211,124</u>

8. TAXATION

Current Tax	5,034	2,746
Deferred Tax Credit/ Charge	80	(107)
	<u>5,114</u>	<u>2,639</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>23,269</u>	<u>8,950</u>
Tax calculated at rate of 30% (2020: 25%)	6,981	2,238
Tax effect of:		
- Income not subject to tax	(-)	(-)
Tax losses carried forward	(6,901)	(2,344)
Tax charge / credit	<u>80</u>	<u>(107)</u>

9. EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit after tax of Kshs. 18,155,000 (2019/2020: Kshs. 6,311,000) by the average number of ordinary shares in issue during the year of 4,013,865 (2019/2020: 4,013,865). The Ministry of Finance holds 4,013,864 shares while The Ministry of Industrialization hold 1 share. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

10. 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 2021, no dividend in respect of the year ended June 30, 2021 shall be proposed just like year 2020 when no dividend was proposed.



*Kenya Industrial Estates Limited*

Reports and Financial Statements  
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
11. (a) PROPERTY, PLANT AND EQUIPMENT

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
<b>COST OR VALUATION</b>							
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
<b>DEPRECIATION</b>							
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
<b>NET BOOK VALUES</b>							
At June 30, 2021	355,733	32,494	49,558	19,228	25,816	356,090	838,919

Kenya Industrial Estates Limited

Reports and Financial Statements  
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2020	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
<b>COST OR VALUATION</b>							
At July 1, 2019	470,829	52,671	100,175	41,417	52,174	342,159	1,059,425
Additions	-	3,449	33,129	9,834	6,911	15,798	69,121
Adjustments	-	-	-	-	-	(1,867)	(1,867)
At June 30, 2020	470,829	56,120	133,304	51,251	59,085	356,090	1,126,679
<b>DEPRECIATION</b>							
At July 1, 2019	86,402	26,847	61,750	31,032	24,124	-	230,155
Charge for the year	14,423	6,285	7,685	1,681	5,124	-	35,198
At June 30, 2020	100,825	33,132	69,435	32,713	29,248	-	265,353
<b>NET BOOK VALUES</b>							
At June 30, 2020	370,004	22,988	63,869	18,538	29,837	356,090	861,326

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

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

*Kenya Industrial Estates Limited*

**Reports and Financial Statements  
For the year ended June 30, 2021**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

2021  
Kshs'000

2020  
Kshs'000

**11. (b) PROPERTY, PLANT AND EQUIPMENT**

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

	Cost or Valuation Kshs'000	Normal Annual Depreciation Charge Kshs'000
Office Equipment	-	12.5%
	61,750	20%
Computers & Related Equipment	39,633	20%
Furniture & Fittings	-	10%
	<b>101,383</b>	-

**11. (c) LAND WITHOUT TITLE DOCUMENTS**

The company has pieces of land measuring 47.9937 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**

**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	39,263	34,347
Elimination	-	-
Charge for the year	4,420	4,916
Disposals	-	-
Impairment loss	-	-
At June 30	<u>43,683</u>	<u>39,263</u>

**NET BOOK VALUE**

At June 30	<u><u>493,652</u></u>	<u><u>498,072</u></u>
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Kenya Industrial Estates Limited

Reports and Financial Statements  
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021 Kshs'000	2020 Kshs'000
<b>13. INTANGIBLE ASSETS</b>		
<b>COST</b>		
At July 1	48,126	48,126
Additions	-	-
Disposals	-	-
At June 30	<u>48,126</u>	<u>48,126</u>
<b>AMORTISATION</b>		
At July 1	37,955	33,142
Charge for the year	675	4,813
Disposals	-	-
Depreciation Adjustment	-	-
At June 30	<u>38,630</u>	<u>37,955</u>
<b>NET BOOK VALUE at June 30</b>	<u><u>9,496</u></u>	<u><u>10,171</u></u>
<b>14. INVESTMENT PROPERTY</b>		
Opening valuation	998,585	996,718
<b>Movements during the year</b>		
Transfer from WIP	-	-
Additions	-	-
Adjustments	-	1,867
Disposal	-	-
Fair value gains/ (Losses)	-	-
Closing valuation	<u>998,585</u>	<u>998,585</u>
<b>AMORTISATION</b>		
At July 1	-	-
Charge for the year	-	-
Disposals	-	-
Impairment loss	-	-
At June 30	<u>998,585</u>	<u>998,585</u>
<b>NET BOOK VALUE</b>		
At June 30	<u><u>998,585</u></u>	<u><u>998,585</u></u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021 Kshs'000			2020 Kshs'000
<b>15. UNQUOTED INVESTMENTS</b>				
	Level 1 Kshs '000	Level 2 Kshs '000	Level 3 Kshs '000	Total Kshs '000
At 30 June 2021:				
Investment in shares – Available-for-sale	-	11,200	-	-
Less Provisions	-	(11,200)	-	-
Investment at the End of the year	-	-	-	-
At 30 June 2020:				
Investment in shares – Available-for-sale	-	11,200	-	-
Less Provisions	-	(11,200)	-	-
Investment at the End of the year	-	-	-	-

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.

	2021 Kshs'000	2020 Kshs'000
<b>16. LOANS</b>		
Loan gross	1,520,014	1,102,558
Interest suspended	(101,253)	(123,406)
Specific provision	(26,829)	(19,053)
General provision	885	(7,834)
Net loan balance	<u>1,392,817</u>	<u>952,265</u>

**17. INVENTORIES**

	2021 Kshs'000	2020 Kshs'000
Stationery and general stores	6,518	5,574
Less: Impairment of stock	(164)	(164)
	<u>6,354</u>	<u>5,410</u>

**18 (a) TRADE AND OTHER RECEIVABLES**

	2021 Kshs'000	2020 Kshs'000
Trade receivables	201,232	189,138
Staff receivable (note 18 (c))	3,354	3,925
Gross trade and other receivables	<u>204,586</u>	<u>193,063</u>
Provision for bad and doubtful receivables	(150,141)	(139,904)
Net trade and other receivables	<u>54,445</u>	<u>53,159</u>

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	2021 Kshs'000	2020 Kshs'000
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	26,802	19,210
Between 31 and 60 days	1,495	535
Between 61 and 90 days	1,113	7,645
Between 91 and 120 days	859	1,593
Over 120 days	174,317	164,080
	<u>204,586</u>	<u>193,063</u>

**18 (b) STAFF RECEIVABLES**

Staff loans	33,712	17,425
Interest suspended	(608)	(507)
Specific provision	(1,162)	(1,162)
General provision	1	(160)
	<u>31,943</u>	<u>15,596</u>

**18 (c) STAFF RECEIVABLES**

Staff advances and imprest	3,354	3,925
Provision for staff advances and imprest	(2,528)	(2,528)
	<u>826</u>	<u>1,397</u>

**19 BANK AND CASH BALANCES**

	Kshs'000	Kshs'000
Cash at bank	1,407,135	1,103,565
Cash in hand	656	656
	<u>1,407,791</u>	<u>1,104,221</u>

**Details analysis of the cash and cash equivalent:**

Standard Chartered Bank	837,310	586,155
Kenya Commercial Bank Ltd	551,953	487,906
National Bank of Kenya	17,207	28,837
Co-operative Bank of Kenya	168	173
M-Pesa	496	494
Cash in hand	656	656
	<u>1,407,791</u>	<u>1,104,221</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.

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20 ORDINARY SHARE CAPITAL

Authorised:

	Kshs'000	Kshs'000
10,000,000 ordinary shares of Kshs.20 par value each	200,000	200,000

Issued and fully paid:

4,013,865 ordinary shares of Kshs.20 par value each	80,277	80,277
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21 RESERVES

	Kshs'000	Kshs'000
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	5,843,812	5,131,659
GOK Loan write-off	1,210,000	1,210,000
Retained Earnings	(3,389,170)	(3,406,243)
	<u>4,784,464</u>	<u>4,055,238</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 30<sup>th</sup> June, 1985 from Government of Kenya loans and Kshs.52, 266,000.00 accrued interests on Government of Kenya loans up to 30<sup>th</sup> 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.

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	Kshs'000	Kshs' 000
<b>22 BORROWINGS</b>	218,518	218,518
Balance at beginning of the year	-	-
Interest Accrued	(-)	(-)
Repayments of domestic borrowings during the year	-	-
	<u>218,518</u>	<u>218,518</u>
Balance at end of the year	(218,518)	(218,518)
Less: Amounts due within one year (current portion)	-	-
Amounts due after one year (non-current portion)	<u>218,518</u>	<u>218,518</u>
The analyses of both external and domestic borrowings are as follows:		
<b>External Borrowings</b>	152,864	892,502
Dollar denominated loan from 'A' (IDA, KFW, ADF)	<u>152,864</u>	<u>892,502</u>
<b>Domestic Borrowings</b>	1,709	1,709
Kenya Shilling loan from Youth Enterprise Fund	63,945	534,307
Kenya Shilling loan from GOK	<u>65,654</u>	<u>536,016</u>
	-	1,428,518
GOK Loan write-off	-	<u>(1,210,000)</u>
Total balance at end of year	<u>218,518</u>	<u>218,518</u>
<b>a) Analysis of changes in Borrowings</b>		
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	(-)	(-)
	<u>218,518</u>	<u>218,518</u>
Balance at end of the year	<u>218,518</u>	<u>218,518</u>
<b>b) Analysis of Interest Paid</b>		
Interest on loans capitalised	-	-
Balance at beginning of the year	-	-
Balance at end of the year	(-)	(-)
	<u>-</u>	<u>-</u>
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:

	2021 Kshs'000	2020 Kshs'000
At start of year		
Charge to profit or loss (Note 9)	35,635	35,635
	<u>80</u>	<u>(107)</u>
At end of year	<u>35,608</u>	<u>35,528</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
<b>Deferred Tax Liabilities</b>			
Property, Plant & Equipment	33,614	(3,252)	30,362
Provisions-Leave & Bad debts	1,914	<u>3,332</u>	<u>5,246</u>
Net Deferred Tax Liability	<u>35,528</u>	<u>80</u>	<u>35,608</u>
<b>Deferred Tax (Assets)</b>			
Tax losses carried forward	<u>0</u>	<u>0</u>	<u>0</u>
Net Deferred Tax Liability	35,528	<u>80</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

	2021 Kshs'000	2020 Kshs'000
Trade payables	7,551	9,248
Retention	46,083	46,083
Other payables	56,255	51,999
	<u>109,889</u>	<u>107,330</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 Informal Sector 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.

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26	PROVISION FOR LEAVE PAY	Kshs'000	Kshs'000
	Balance at beginning of the year	1,914	2,000
	Additional provision at end of year	3,332	(86)
	Leave paid out or utilised during the year	-	-
	Balance at end of the year	<u>5,246</u>	<u>1,914</u>

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

**27 NOTES TO THE STATEMENT OF CASH FLOWS**

**a) Reconciliation of operating Profit / (Loss) to Cash generated from / (used in) operations**

	Kshs'000	Kshs'000
Operating Profit / (Loss)	23,269	8,950
Depreciation and Amortization	41,865	44,927
Rent Income	(60,083)	(60,915)
Other Income	(35,046)	(33,448)
Interest Income	(114,908)	(70,315)
Provisions	42,140	7,370
Interest Received	(33,557)	(19,545)
Operating Profit/ (Loss) Before Working Capital Changes	<u>(136,320)</u>	<u>(122,976)</u>
Increase in Inventories	(944)	(9,724)
Increase in trade and other Receivables	(1,286)	(26,747)
Decrease in trade and other Payables	2,559	(15,405)
Decrease in Provision for Staff Leave Pay	3,332	(86)
Advances to Customers	(870,119)	(602,452)
Collection from Loans, Rent, Mortgage & Other Income	575,001	419,954
Cash Generated from/ (used in) Operations	<u>(427,777)</u>	<u>(337,988)</u>

**b) Analysis of Cash and Cash Equivalents**

Cash at bank	1,407,135	1,103,565
Cash in hand	656	656
Balance at end of the year	<u>1,407,791</u>	<u>1,104,221</u>

**c) Disclosure on changes in Financing Cash flow: -**

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

# Kenya Industrial Estates Limited

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### 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

	2021	2020
	Kshs'000	Kshs'000
(i) Sales to Government Agencies		
Rent income from Gov't Agencies	<u>3,817</u>	<u>3,635</u>
(ii) Purchases from Government Agencies		
Purchase of electricity from KPLC	3,466	1,878
Purchases of water from Gov't Service Providers	<u>1,894</u>	<u>580</u>
Total	<u>5,360</u>	<u>2,458</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.

	2021	2020
	Kshs'000	Kshs'000
GOK Transfers	<u>991,693</u>	<u>1,478,936</u>

##### (c) Directors Remuneration

	2021	2020
	Kshs'000	Kshs'000
Directors	<u>15,219</u>	<u>12,861</u>

##### (d) Management Compensation

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

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2021 Kshs'000	2020 Kshs'000
Compensation to the Directors	15,219	12,861
Compensation to the CEO	5,400	5,400
Compensation to key management	<u>28,828</u>	<u>29,752</u>
	<u>49,447</u>	<u>48,013</u>
 <b>(d) Loans to Key Management</b>		
Car Loans	<u>3,823</u>	<u>1,246</u>

**29 CONTINGENT ASSETS AND LIABILITIES**

	Kshs'000	Kshs'000
<b>a) CONTINGENT ASSETS</b>		
Staff Houses (Eldoret)	191,000	191,000
	<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.

	Kshs'000	Kshs'000
<b>b) CONTINGENT LIABILITIES</b>		
Bank overdraft	3,422	3,422
Legal claims against the company	-	-
	<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 relate 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 30/06/2021.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 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
<b>At 30 June 2021</b>				
Receivables from non-exchange transactions	205,586	27,802	3,467	174,317
Bank balances	1,407,135	-	-	-
Loans	1,424,760	-	-	-
<b>Total</b>	<b>3,037,481</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2020</b>				
Receivables from non-exchange transactions	193,063	19,210	9,773	164,080
Bank balances	1,103,565	-	-	-
Loans	967,861	-	-	-
<b>Total</b>	<b>2,264,489</b>	<b>-</b>	<b>-</b>	<b>-</b>

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**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.

	2021 Ksh'000'	2020 Ksh'000'
<b>Individually Impaired</b>		
Normal	1,097,238	619,034
Watch	107,533	120,028
Sub -Standard	78,980	70,592
Doubtful	9	-
Loss	<u>269,966</u>	<u>310,329</u>
Gross Amount	1,553,726	1,119,983
Allowance for Impairment	<u>(128,966)</u>	<u>(152,122)</u>
Carrying Amount	<u>1,424,760</u>	<u>967,861</u>

**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:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Loans to Customers

	2021	2020
	Ksh'000'	Ksh'000'
Past due but not Impaired	1,283,751	809,654
Past Due and Impaired	269,975	310,329
Impairment Allowance	(128,966)	(152,122)
<b>Total</b>	<b><u>1,424,760</u></b>	<b><u>967,861</u></b>

(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
<b>At 30 June 2021</b>				
Trade payables	7,551	-	102,338	109,889
<b>Total</b>	<b>7,551</b>	<b>-</b>	<b>102,338</b>	<b>109,889</b>
<b>At 30 June 2020</b>				
Trade payables	9,248	-	98,082	107,330
<b>Total</b>	<b>9,248</b>	<b>-</b>	<b>98,082</b>	<b>107,330</b>

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.

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.

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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 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 loan as per note 25 of the financial statement.

**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**

	2021	2020
	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	5,579,323	4,867,170
UNDP grant	6,766	6,766
EEC grant	11,200	11,200
GOK Loan write-off	1,210,000	1,210,000
	<u>7,053,812</u>	<u>6,341,659</u>

**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. Write offs during the year amounted to Ksh.55.3 Million.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 33. PRIOR YEAR ADJUSTMENTS

Kshs.1.08 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 2020/2021.

## 34. KENYA INDUSTRY &amp; 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, startups, 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 for 2021/2022.

## 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:

	2020-2021	2019-2020
	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	(3,389,170)	(3,406,243)
Total funds	(2,189,071)	(2,206,144)
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	0%	0%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37. **Incorporation**  
The company is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.
38. **Events After the Reporting Period**  
There were no material adjusting and non- adjusting events after the reporting period.
39. **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/Observations from Auditor (2018/19 audit certificate issues)	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Time frame:
1	<p><b>Non-Performing Loans</b></p> <p>The statement of financial position reflects Kshs. 596,071,000 being loans balance as at June, 2019. Note 18 to the financial statements reflects Kshs. 778,918,000 for gross loans out of which loans with a cumulative value of Kshs. 294,000,175 (38%) are non-performing and have been outstanding for more than one year.</p> <p>The recoverability of the loans and interest remains doubtful with a likelihood of affecting the company's financial performance.</p>	<p>The company is cognizant of the status of the loan portfolio and has taken steps to redress the situation. The portfolio composition as at 30th June, 2019 included historical loan accounts which dated back to more than 30 years and the current loan accounts. The historical accounts were created when Kenya Industrial Estates Ltd was purely engaged in Africanization of the Industrial Sector and loans were given at very soft terms without the need to provide tangible security. The non-performing loans were largely composed of the legacy loans. The current Risk framework has robust measures for ensuring loans are fully secured.</p> <p>The Management has put in place measures to ensure the KIE loan portfolio is performing and fall within the industry benchmarks. The steps in place are detailed below:</p> <p>(i) The company has a robust appraisal system and a well-entrenched Risk Management Framework which ensures loans applicants have to meet a minimum criterion to be selected for funding. Only applicants whose proposals demonstrate a business case with a high chance of success are selected for funding.</p> <p>(ii) The Company has put in place a very strong monitoring and evaluation</p>	Manager, Risk Management	Resolved	

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Ref No. on external Audit report	Issue/Observations from Auditor (2018/19 audit certificate issues)	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Time frame:
		<p>mechanism to ensure that all its loans are performing and early warning signals are picked up and addressed.</p> <p>(iii) The company has a framework for engaging clients whose enterprises are facing challenges. This includes offering Business Advisory Services and restructuring to ensure that the loans perform.</p> <p>iv) The company has reviewed all the historical and legacy accounts which have continued to affect the performance of the KIE loan portfolio to determine whether they are recoverable and appropriate measures taken.</p> <p>(v) All the accounts in the current loan portfolio are fully secured with land security. The value of land taken as security is discounted at pre-determined rates to cushion the company against loss at the time of disposal.</p>			
2.	<p><b>Long Outstanding Trade Payables</b>            Included in trade and other payables balance of Kshs. 122,735,000 as reflected under Note 26 in the financial statements is Kshs. 3,007,939 and Kshs. 14,011,946 for trade payables and other payables respectively, which have been outstanding for more than a year. Failure to settle liabilities as and when they fall due may affect future business relationship with suppliers and other stakeholders.</p>	<p>The management is keen on paying all its liabilities. The reason for not settling Trade payables amounting to Kshs. 3,007,939 and other payables amounting to Kshs. 14,011,946 has been due to incomplete and missing documentation. The management is making all efforts to settle all the outstanding accounts.</p> <p>The company has currently no pending bills.</p>	FM	Not resolved	30/06/2022

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Ref No. on external Audit report	Issue/Observations from Auditor (2018/19 audit certificate issues)	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Time frame:
3.	<b>Trade and other Receivables</b> The trade and other receivables as at 30 <sup>th</sup> June, 2019 reflects a balance of Kshs.26,412,000.0				
3.1	<b>Non-Movement of Trade Receivables</b> Note 21(a) reflects a balance of Kshs. 156,410,000 for trade receivables which includes debts amounting to Kshs. 25,330,858 which did not record any decrease from the respective balances of previous years. Although management has indicated that they have pursued all means to recover the debts without success, the same should be recovered.	<p>The Outstanding debts amounting to Kshs. 25,330, 858 relate to sundry debtors, deposits and outstanding rent.</p> <p>The sundry debtors relate to consultancy work done for Kisii, Meru, Kajiado, Uasin Gishu, Homa-Bay and Nyamira Counties.</p> <p>The company has managed to recover the debts from Meru, Kajiado, Uasin Gishu.</p> <p>Also, the company has made efforts by writing demand letters to County Governments of Kisii, Homabay and Nyamira on the outstanding debts as per attached. The company will continue to pursue for full settlement of the outstanding debts.</p>	FM	Not resolved	31/12/2021
3.2	<b>Long Outstanding Staff Receivables</b> Note 21(c) reflects a balance of Kshs.4,649,000 as staff receivables which includes Kshs. 2,523,623 relating to advances and imprests to staff members who have since left the Company's service. As previously reported, recoverability of the same remains doubtful. In view of the foregoing, it has not been possible to confirm that the trade and other receivables balance of Kshs. 26,412,000 as at 30th June, 2019 is fairly stated.	<p>We concur with your observation that recoverability of Kshs. 2,523,858 relating to advances and imprest for ex-staff may be doubtful given the period taken and amounts involved.</p> <p>Some of these ex-staff imprest are as old as 15 years and some of the ex-staff are deceased. The company has made great effort to follow up on the ex-staff to clear the outstanding balances and has written letters demanding settlement, listing with CRB and use of debt collectors. Although the company has put much effort, it has not resulted into settlement of the outstanding debts. To ensure this does not recur, the company has developed a policy on staff imprests, advances and ex-staff debts. This requires imprests for current staff to be accounted immediately and advances recovered within the given duration. Staff leaving the</p>	FM	Not resolved	31/12/2021

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Ref No. on external Audit report	Issue/Observations from Auditor (2018/19 audit certificate issues)	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Time frame:
		<p>organization have to go through an elaborate clearance procedure where a member of staff has to fill a clearance certificate which must be signed-off in all departments. As a result of this policy measure, there is no new cases of ex-staff debts.</p> <p>The management shall recommend to the Board on the most appropriate action to take to avoid retaining these debts in the company books for a long time. In the meantime, the company has made a provision for these debts.</p>			

*Permain de Nasikae*  
 MANAGING DIRECTOR

Date.....16/9/2021.....

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### 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 Million	2,758 Million	51.6%	712.15 Million	712.15 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 20/21			
a.	Recurrent Grants		
		Bank Statement Date	(KShs'000) 2020-2021
		10/08/2020	20,795
		24/08/2020	20,795
		22/09/2020	20,795
		21/10/2020	62,385
		02/02/2021	62,385
		04/05/2021	62,385
		28/06/2021	30,000
			<u>279,540</u>
b.	Development Grants		
		Bank Statement Date	(KShs'000) 2020-2021
		28/08/2020	356,076
		19/05/2021	356,077
			<u>712,153</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	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					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.

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**APPENDIX IV: LIST OF BANK ACCOUNTS AS AT 30<sup>TH</sup> JUNE 2021**

	DETAILS	BRANCH	ACCOUNT NUMBER	KSHS	KSHS
1	STANDARD CHARTERED BANK	INDUSTRIAL AREA	0104031412500	835,790,780.15	
	STANDARD CHARTERED BANK	INDUSTRIAL AREA	0102031412501	1,519,416.25	837,310,196.40
2	KENYA COMMERCIAL BANK	NAIROBI-MOI AVENUE	1107215188	124,647,250.13	
	KENYA COMMERCIAL BANK	MACHAKOS	1108307051	17,055,524.85	
	KENYA COMMERCIAL BANK	THIKA	1102280186	407,586,160.17	
	KENYA COMMERCIAL BANK	MACHAKOS	1106241037	2,443,906.15	
	KENYA COMMERCIAL BANK	VOI	1108156622	55,100.00	
	KENYA COMMERCIAL BANK	MURANGA	1108563848	50,013.10	
	KENYA COMMERCIAL BANK	NAIROBI MASHARIKI	1120695562	6,416.80	
	KENYA COMMERCIAL BANK	MACHAKOS	1108303382	4,917.95	
	KENYA COMMERCIAL BANK	TALA	1116060817	923.50	
	KENYA COMMERCIAL BANK	SULTAN-HAMUD	1106464184	19,485.90	
	KENYA COMMERCIAL BANK	KILINDINI	1101521694	443.05	
	KENYA COMMERCIAL BANK	MALINDI	1104272482	2,334.65	
	KENYA COMMERCIAL BANK	VOI	1108156959	234.05	
	KENYA COMMERCIAL BANK	TAVETA	1116182750	484.50	
	KENYA COMMERCIAL BANK	NAKURU	1101899379	441.30	
	KENYA COMMERCIAL BANK	NAROK	1116213605	456.50	
	KENYA COMMERCIAL BANK	KABARNET	1103664379	1,409.85	
	KENYA COMMERCIAL BANK	ELDOROT	1102451290	274.30	
	KENYA COMMERCIAL BANK	KERICHO	1107174058	1,138.45	
	KENYA COMMERCIAL BANK	KAPSABET	1139206125	548.95	
	KENYA COMMERCIAL BANK	KISII	1101873787	1,135.15	
	KENYA COMMERCIAL BANK	HOMA-BAY	1116061732	172.25	



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	KENYA COMMERCIAL BANK	SIAYA	1116061422	441.60	
	KENYA COMMERCIAL BANK	NYAMIRA	1131844947	2,710.50	
	KENYA COMMERCIAL BANK	NYERI	1101877294	2,711.90	
	KENYA COMMERCIAL BANK	KARATINA	1101877294	28,992.40	
	KENYA COMMERCIAL BANK	MURANGA	1108563112	367.30	
	KENYA COMMERCIAL BANK	THIKA	1102280038	583.70	
	KENYA COMMERCIAL BANK	EMBU	1102849480	679.40	
	KENYA COMMERCIAL BANK	MERU	1103264095	1,534.55	
	KENYA COMMERCIAL BANK	KAKAMEGA	1101753404	271.40	
	KENYA COMMERCIAL BANK	BUNGOMA	1106222555	18.55	
	KENYA COMMERCIAL BANK	BUSIA	1116061627	2,758.70	
	KENYA COMMERCIAL BANK	KIMILILI	1137087676	895.00	
	KENYA COMMERCIAL BANK	GARISSA	1107782651	32,253.45	551,952,990.00
3	NATIONAL BANK	HARAMBE AVENUE	1003002830802	17,204,696.92	
	NATIONAL BANK	KITUI	1003002830803	384.36	
	NATIONAL BANK	KISUMU	1003023505800	2,043.20	17,207,124.48
4	CO-OPERATIVE BANK	INDUSTRIAL AREA	1199027125100	15,256.00	
	CO-OPERATIVE BANK	INDUSTRIAL AREA	1109027125100	152,940.20	168,196.20
5	MPESA	SAFARICOM	948800	495,930.00	495,930.00
	TOTAL			1,407,134,437.08	1,407,134,437.08

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APPENDIX V: 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
27.	Nandi	0	1.1870	1.1870

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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
	<b>Total</b>	<b>21.0376</b>	<b>47.9937</b>	<b>69.0313</b>

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