

PARLIAMEN
OF KENYA
LIBRARY

EXPORT PROCESSING ZONES AUTHORITY

FINANCIAL STATEMENTS

2012/2013

EXPORT PROCESSING ZONES AUTHORITY

| <u>Table of Contents</u> | <u>Page</u> |
|---------------------------------------|-------------|
| Corporate Information | 1 |
| Registered Office | 1 |
| Bankers | 1 |
| Auditors | 1 |
| Our Vision | 1 |
| Our Mission | 1 |
| Core Values | 2 |
| Names of Board Members | 3 |
| Senior Management Staff | 3 |
| Number of Staff Members | 3 |
| Statement of Directors Responsibility | 4 |
| Statement of Comprehensive Income | 5 |
| Statement of Financial Position | 6 |
| Statement of Cash Flows | 7 |
| Statement of Changes in Reserves | 8 |
| Notes to the Accounts | 9-16 |

EXPORT PROCESSING ZONES AUTHORITY

CORPORATE INFORMATION

Who we are

Export Processing Zones Authority (EPZA) is a statutory body established by an Act of Parliament, EPZ Act Cap 517 of 1993 (revised).

REGISTERED OFFICE

Export Processing Zones Authority,
Administration Building,
Viwanda Road, Off Nairobi-Namanga Highway,
P. O. Box 50563,
00200, NAIROBI

BANKERS

National Bank of Kenya, Hill Branch

Kenya Commercial Bank, Kencom Branch

Kenya Commercial Bank, Kitengela Branch

AUDITORS

Auditor General,
Kenya National Audit Office,
Anniversary Towers,
P. O. Box 30084,
00100 NAIROBI

OUR VISION

A leading agency contributing to the socio-economic growth and transformation of Kenya into a global hub for investment and trade

OUR MISSION

To enhance economic and socio development by promoting, facilitating and creating enabling environment for investments in Special Economic Zones (SEZs)

EXPORT PROCESSING ZONES AUTHORITY

CORE VALUES

Customer Service

We are committed to our work and go an extra mile to satisfy the Authority's clients and all stakeholders

Accountability

We take responsibility for our decision both at individual and Authority levels exercising prudence in the use of resources including time, money and materials.

Integrity and Fairness

We believe integrity begins with us and believe in personal and institutional integrity being fair to all in application of rules and regulations and uphold highest standards of honesty, truthfulness, reliability and honour.

Innovation and Creativity

We seek to encourage, recognize and apply innovation where employees are open to new better ways of doing things.

Team Work

No individual is gifted in all areas as such; EPZA strives to create a collaborative work environment that promotes cross-functional sharing of ideas, creativity and synergies.

Speedy Response

We feel the sense of urgency on matters related to our customers and respond to them speedily.

Institutional Loyalty and Patriotism

We maintain a sense of institutional loyalty and national patriotism.

Corporate Social Responsibility

We recognize the importance of improving the quality of life for the local community and support initiatives by encouraging employees' involvement. Priority areas are education, health, and environment. Nationally, we are committed to expanding the country's economic growth through investment facilitation.

EXPORT PROCESSING ZONES AUTHORITY

NAMES OF BOARD MEMBERS

1. Mr. Mathenge Wanderi - Chairman
2. Mr. Walter Kamau - Kenya Association of Manufacturers
3. Mr. Laban O Rao - Kenya National Chamber of Commerce & Industry
4. Mr. Kenneth Nyachae - Private Sector Member
5. Mr. Ahmed Abdi - Private Sector Member
6. Mr. Shabbir Hassanali - Private Sector Member
7. Ms. Amina Said - Private Sector Member
8. Mr. Daniel Mutua - Alternate/PS, Ministry of Finance, Treasury
9. Mr. Hezekiah Okeyo - Alternate/Permanent Secretary, Min of Industrialization
10. Mr. Charles Koori - Alternate/Governor – Central Bank of Kenya
11. Mr. Kenneth Ochola - Alternate/Commissioner of Customs Services
12. Ms. Abigail Mukolwe - Commissioner of Lands
13. Dr. Moses Ikiara (PhD) - Managing Director, Kenya Investment Authority
14. Mr. Cyrille Nabutola - Chief Executive/EPZA

SENIOR MANAGEMENT STAFF

1. Cyrille Nabutola - Chief Executive
2. Benter A Omollo - General Manager, Finance & Administration
3. Margaret W. Waithaka - General Manager, Business Development
4. Maria L. O. Ouya - Corporate Secretary
5. John O. Akara - Manager, Operations
6. Benjamin C. Chesang - Manager, Research, Policy and Planning
7. Pamela N. Muchera - Manager, Human Resource
8. Elijah Odhiambo - Manager, ICT
9. Fanuel Kidenda - Manager, Resource Mobilizations
10. Jorum Ngunyi - Manager, Risk and Audit

NUMBER OF STAFF MEMBERS

2012/2013

Members of staff are 135.

2011/2012

Members of staff are 133.

EXPORT PROCESSING ZONES AUTHORITY

Statement of Directors Responsibilities

The Authority's Act requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of the financial affairs of the Authority as at the end of the financial year and its operating results for that period.

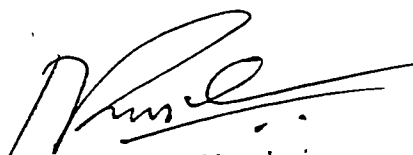
It also requires the directors to ensure the Authority keeps proper accounting records that disclose with reasonable accuracy the financial position of the Authority. They are also responsible for safeguarding the assets of the Authority and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the annual financial statements and in preparing those financial statements, they are required to:

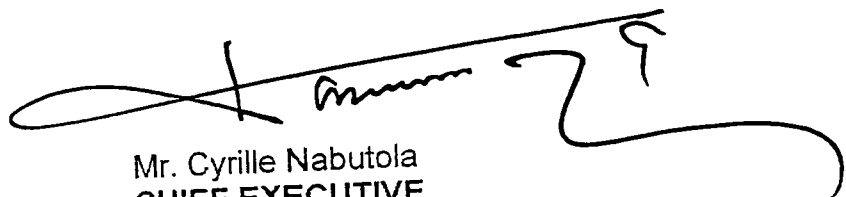
- (i) Select suitable accounting policies and then apply them consistently;
- (ii) Make judgments and estimates that are reasonable and prudent;
- (iii) Ensure conformity with the international accounting standards;
- (iv) Ensure conformity with the international financial reporting standards;
- (v) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Authority will continue in operation.

The directors are of the opinion that the financial statements give a true and fair view of the financial affairs of the Authority and its operating results. They further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the financial statements as well as adequate systems of internal control.

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


Mr. Mathenge Wanderi
CHAIRMAN

Date 14/01/2014


Mr. Cyrille Nabutola
CHIEF EXECUTIVE

Date 14/1/2014



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON EXPORT PROCESSING ZONES AUTHORITY FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Export Processing Zones Authority set out on pages 5 to 16, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of

material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Ownership Documents

As disclosed under note 15 to the financial statements, property, plant and equipment balance of Kshs.7,130,140,000 as at 30 June, 2013 includes two parcels of land Ref. LR. No. Olooloitikoshi/Kitengela/61 and 70, measuring 2 hectares and valued at Kshs.2,250,000. Although the parcels of land were acquired and gazetted through Gazette Notice Nos. 2802 and 2803 of 5 July 1991, the Authority had not, as similarly reported in 2011/2012, obtained title documents as at 30 June 2013. In the absence of the title documents, it has not been possible to confirm the ownership status of the land and that the balance of Kshs.7,130,140,000 as at 30 June 2013 is fairly stated.

2. Trade and Other Receivables

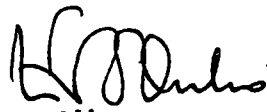
Included in the trade and other receivables balance of Kshs.413,299,000 as at 30 June 2013, is an amount of Kshs.10,536,708 which relates to advances and outstanding imprest issued to ex-staff as previously reported. The figure includes Kshs.8,690,786 issued to the former Chief Executive Officer of the Authority. The former CEO disregarded the Government code of regulations (H10) on advance of salary which provides that an advance of not more than one month salary may be granted to an officer owing to circumstances beyond his/her control. It further provides that advance may be granted only when an officer has no other outstanding salary advance and should not be more than two within one year. The Authority's internal management policy also provides that in the absence of a written arrangement, recoveries of advance to staff should be done through the payroll which was contravened.

Further, the former CEO using the Authority's senior officers approved and authorized salary advances and other forms of advances for himself without seeking approval from the Board of Directors. This was in total disregard of Government regulations and the Authority's staff manual governing salary

advances. Further, amount of Kshs.980,919.19 granted to him as imprest should have been surrendered within 48 hours after completion of assignment for which the imprest was issued. This amounts to violation of existing regulations and abuse of office by the former CEO.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Authority as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with Export Processing Zones Authority Act, Cap. 517 of 1993 (revised) of the Laws of Kenya.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

28 February 2014

**EXPORT PROCESSING ZONES AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
THE YEAR ENDED 30TH JUNE 2013**

| | Notes | 30-Jun-13 KSHs '000 | 30-Jun-12 KSHs '000 |
|--|-------|------------------------|------------------------|
| Operating Income | 3 (a) | 127,967 | 93,182 |
| Other Income | 3 (b) | 184,529 | 241,441 |
| Administrative Expenses | 3 (c) | (189,659) | (191,134) |
| Board Expenses | 3 (d) | (6,687) | (5,494) |
| Maintenance Expenses | 3 (e) | (5,701) | (7,785) |
| Other Operating Expenses | 3 (f) | <u>(132,699)</u> | <u>(166,919)</u> |
| Operating Surplus (Deficit) Income | | (22,250) | (36,709) |
| Investment Income/(Cost) | 12 | <u>19,852</u> | <u>32,655</u> |
| Surplus / (Deficit) Income before Tax | | (2,398) | (4,054) |
| Income Tax Expense | | <u>-</u> | <u>-</u> |
| Surplus / (Deficit) Income after Tax | | <u>(2,398)</u> | <u>(4,054)</u> |

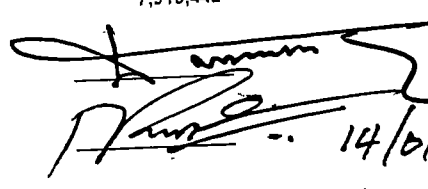
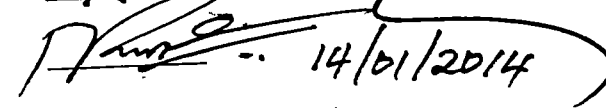
The Statement of Comprehensive Income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 15

**EXPORT PROCESSING ZONES AUTHORITY
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2013**

| Assets | Notes | Amounts 2012/2013 KSHs '000 | Amounts 2011/2012 KSHs '000 |
|---------------------------------------|-------|-----------------------------------|-----------------------------------|
| Non - Current Assets | | | |
| Biological Assets | 14 | 119,978 | 20,208 |
| Property, Plant and Equipment | 15 | 7,130,140 | 2,337,835 |
| Current Assets | | | |
| Inventory | 2 | 1,685 | 74 |
| Trade and Other Receivables | 4(a) | 413,299 | 348,746 |
| Prepayments | 4 (b) | 1,265 | 1,308 |
| Cash & Cash Equivalent | 5 | 48,720 | 60,532 |
| Short Term Deposits | 5 | 195,355 | 209,950 |
| Total Assets | | 7,910,442 | 2,978,653 |
| Reserves and Liabilities | | | |
| Long Term Deferred Income | 6 | 732,223 | 686,632 |
| Revaluation Reserves | 10 | 6,728,206 | 1,860,422 |
| Accumulated Surplus / (Deficit) | 7 | 200,467 | 181,247 |
| Non - Current Liabilities | | | |
| Deposits | 8 | 103,996 | 95,927 |
| Current Liabilities | | | |
| Trade and Other Payables | 9 | 139,559 | 148,433 |
| Current Deferred Income | 6 | 5,991 | 5,991 |
| Total Reserves and Liabilities | | 7,910,442 | 2,978,653 |

CHIEF EXECUTIVE

BOARD CHAIRMAN

 14/1/2014
 14/01/2014

That the final accounts for the financial year 2012/2013 have been approved by the board.

The Balance Statement of Financial Position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 15

**EXPORT PROCESSING ZONES AUTHORITY
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
30TH JUNE 2013**

| | Amounts 2012/2013 KSHs '000 | Amounts 2011/2012 KSHs '000 |
|--|--|--|
| Cash flows from operating activities | | |
| Surplus/(Deficit) before taxation & extraordinary items | (2,398) | (4,054) |
| Adjustments for | | |
| Depreciation | 17,441 | 27,824 |
| Foreign exchange (Gain)/Loss | 7,505 | (2,900) |
| Loss on disposal of assets | - | - |
| | 24,946 | 24,924 |
| Non-Monetary Grant | (5,991) | (5,991) |
| | - | - |
| Decrease/(Increase) in debtors | (64,553) | 33,712 |
| Decrease/(Increase) in prepayment | 43 | - |
| Decrease/(Increase) in stocks | (1,613) | 252 |
| Increase/(Decrease) in creditors | (8,875) | 27,854 |
| Increase/(Decrease) in Deposits | 8,068 | - |
| | (50,372) | 76,697 |
| Cash flows generated from operations | | |
| Interest Paid | - | - |
| Cash flows before extraordinary item | (50,372) | 76,697 |
| Cash flows from extraordinary items | - | - |
| | (50,372) | 76,697 |
| Net cash from operating activities | (50,372) | 76,697 |
| Cash flows from Investing activities | | |
| Purchase of assets | (40,704) | (73,674) |
| Work in Progress | - | 9,094 |
| Investment Income-Accrued | 1,415 | (29,657) |
| Investment Income-Received | (21,267) | (2,998) |
| | (60,556) | (91,239) |
| Net cash from investing activities | (60,556) | (91,239) |
| Cash flows from financing activities | | |
| Deferred Income (In Grant) | 84,520 | 84,520 |
| | 84,520 | 84,520 |
| Net cash from financing activities | 84,520 | 84,520 |
| Net Increase in cash and cash equivalents | (26,408) | 69,979 |
| Cash and cash equivalents at beginning of period (A) | 270,482 | 200,503 |
| | 244,074 | 270,482 |
| Cash and cash equivalents at end of period (Note 5) | 244,074 | 270,482 |
| A: This has been adjusted for exchange rate changes. | | |
| | Amounts 2012/2013 KSHs '000 | Amounts 2011/2012 KSHs '000 |
| Cash on hand and balances with banks | 48,719 | 60,532 |
| Fixed term deposits | 195,355 | 209,950 |
| Cash and Cash equivalents as previously reported | 244,074 | 270,482 |
| Effects of exchange rate changes | - | - |
| Cash and Cash equivalents as restated | 244,074 | 270,482 |

The Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 15

**EXPORT PROCESSING ZONES AUTHORITY
STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED
30TH JUNE 2013**

| | Long Term Deferred Income KSHs '000 | Revaluation Reserves KSHs '000 | Accumulated Surpluses / (Deficits) KSHs '000 | Total KSHs '000 |
|--|--|---|---|----------------------------|
| Balance as at 30th June 2011 | 636,652 | 1,860,422 | 185,301 | 2,682,375 |
| Deferred Income (In Grant and Lease) | 55,971 | - | - | 55,971 |
| Current Deferred Income | (5,991) | - | - | (5,991) |
| Surplus/(Deficit) for the Period | - | - | (4,054) | (4,054) |
| Restated Balance as at 30th June 2012 | 686,632 | 1,860,422 | 181,247 | 2,728,301 |
| Deferred Income (In Grant and Lease) | 51,583 | - | - | 51,583 |
| Current Deferred Income | (5,991) | - | - | (5,991) |
| Restatement | - | - | 21,618 | 21,618 |
| Revaluation | - | 4,867,784 | - | 4,867,784 |
| Surplus / (Deficit) for the Period | - | - | (2,398) | (2,398) |
| Restated Balance as at 30th June 2013 | 732,223 | 6,728,206 | 200,467 | 7,660,897 |

NB: Included in the statement of changes of reserves on valuation of the assets is restatement of assets valued Kshs 21,618,000 arising from revaluation of EPZ Authority's assets.

The Statement of Changes In Equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 15

EXPORT PROCESSING ZONES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

The financial statements are prepared in accordance with International Financial Reporting Standards, the principle accounting policies adapted. The accounting policies remain unchanged from the previous years.

(a) Basis of Accounting

The financial statements are prepared on the historical cost and accrual basis accounting modified by the re-evaluation of certain assets. They are presented in Kenya shillings (Kshs) rounded to the nearest thousand shillings and comply with the International Financial Reporting Standards (IFRS).

(b) Revenue Recognition

In accordance with the Export Processing Zones Act, Cap 517, income from the Authority from the exchequer and Appropriation in Aid which is from license fees and rental/lease charges and other activities. Income is recognized when earned.

(c) Development Funding and Asset Contributions by the GoK

Contributions by the Government of Kenya in form of assets or funding for acquisition of major assets and development projects are recognized as financing reserves when received. No payment of the financing is expected by the Authority.

(d) Property Plant & Equipment

Property, plant and equipment are stated at a cost or valuation less accumulated depreciation. No depreciation provided on freehold land. Depreciation is calculated to write off the cost or valuation of each asset to its residual value where applicable, over the useful life of the asset.

A proportion of full year's depreciation is charged where asset is held for less than a year both in the year of purchase and disposal. The rates of depreciation are based on the following estimated useful life.

| | | |
|-----------------------|---|--|
| Motor vehicles | - | (20% reducing balance upto 5 th year) |
| Fixtures and Fittings | - | 10 years |
| Office furniture | - | 10 years |

EXPORT PROCESSING ZONES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

| | | |
|----------------------------|---|-----------|
| Office equipment | - | 10 years |
| Computers and printers | - | 3 years |
| Infrastructure & buildings | - | 100 years |

(e) Provision of bad and doubtful debts

Provision of bad and doubtful debts is charged against the Statement of Comprehensive Income for all debts not being serviced as approved by the board. No provision has been provided for staff debtors.

(f) Foreign Currencies

Transactions in foreign currencies during the year are converted into Kshs. at the average rates of exchange on the dates of exchange. Assets and liabilities expressed in foreign currency are translated in Kenya shillings at the rate of exchange at the balance sheet date. The resulting differences are dealt with in the income and expenditure statement in the financial year in which they arise

(g) Retirement Benefits Obligations

The Authority's obligations to staff retirement benefit plans are charged to the Statement of Comprehensive Income statement as they fall due.

The Authority operates a defined contribution staff retirement benefits scheme for eligible non contract employees. The scheme is funded by contributions from both the Authority and employees. The Authority also contributes to the statutory National Social Security Fund. This is defined contribution scheme registered under the National Social Security Act. The Authority's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of Kshs.200 per employee per month.

Employees on contract who want to retire or resign on attaining retirement age, whose contracts come to an end or services are terminated for reasons other than gross misconduct are entitled to gratuity payments in accordance with the contract.

- (h) The Eucalyptus plantation of trees under biological assets is accounted for as per IAS 41 measures at cost less any accumulated impairment losses till market determined prices or values will be available.

EXPORT PROCESSING ZONES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS CONTINUED....

(i) Cash and Cash Equivalent

For the purpose of Statement of Cash flows cash and cash equivalents comprise cash in hand, short term deposits held in the banks.

(j) Leave Allowance Provision

Employee's entitlement to annual leave is recognized when it is due to employees and a provision has been made for estimated liability for annual leave as a result of services rendered by the employees up to the balance sheet date.

2. Inventory

Inventory is valued for Ksh 1,686,334 measured at the lower of cost and net realizable value as per IAS 2. Cost is determined on the weighted average cost basis

**EXPORT PROCESSING ZONES AUTHORITY
NOTES TO THE ACCOUNTS CONTINUED.....**

NB All amounts shown are in Kenya Shillings (KShs '000)

| | Amounts 2012/2013 KShs '000 | Amounts 2011/2012 KShs '000 |
|--|-----------------------------------|-----------------------------------|
| 3(a) Operating Income | | |
| Application Fees | 1,110 | 875 |
| License Fees | 25,290 | 23,533 |
| Rental Income | 101,587 | 86,973 |
| Total | 127,987 | 83,182 |
| 3(b) Other Income | | |
| Miscellaneous Income | 9,717 | 6,907 |
| Exchange Gain | - | 2,900 |
| (Profit)/Loss on Disposal of Assets | - | - |
| Government Grants | 103,586 | 146,828 |
| Bad debts recovered | - | - |
| Contribution | - | - |
| (Water Sales Expenses) | - | - |
| Total | 184,529 | 241,441 |
| 3(c) Administrative Expenses | | |
| Personnel Emoluments | 166,428 | 169,986 |
| Fees Commissions & Honoraria | 1,149 | 1,101 |
| Passage & Leave | 4,751 | 5,964 |
| Medical Expenses | 14,857 | 11,772 |
| Staff Welfare | 2,879 | 2,312 |
| Total | 189,864 | 191,134 |
| 3(d) Board Expenses | | |
| Board Allowances | 6,687 | 5,494 |
| Total | 6,687 | 5,494 |
| 3(e) Maintenance Expenses | | |
| Maintenance - Vehicles and other transport | 2,969 | 2,619 |
| Maintenance - Other Assets | 2,732 | 5,166 |
| Total | 5,701 | 7,785 |
| 3(f) Operating Expenses | | |
| Goods, Utilities Supplies & Services | 7,324 | 6,531 |
| Investment Promotion | 2,354 | 4,544 |
| Communication Supplies & Services | 6,505 | 6,151 |
| Domestic Travel and Subsistence and Other Transport Costs | 7,123 | 7,471 |
| Foreign Travel and Subsistence and Other Transport Costs | 11,393 | 26,414 |
| Printing, Advertising, Information Supplies and Services | 8,638 | 8,178 |
| Rental of Produced Assets | 7,023 | 9,241 |
| Training Expenses (Including Capacity Building) | 11,946 | 20,574 |
| Hospitality Supplies and Services | 7,838 | 13,107 |
| Insurance Costs | 2,544 | 4,113 |
| Specialised Materials and Supplies | 2,370 | 2,840 |
| Office General Supplies and Services | 2,905 | 4,243 |
| Fuel, Oil and Lubricants | 3,327 | 2,870 |
| Other Operating Expenses | 28,463 | 20,619 |
| Depreciation (Consumption of Fixed Capital) | 17,441 | 27,824 |
| Exchange Loss | 7,505 | - |
| Total | 132,688 | 188,919 |
| 4(a) Trades, Other Receivables & Prepayments | | |
| Trade Debtors | 416,055 | 342,793 |
| Less Provision | (38,013) | (38,013) |
| Staff Debtors | 12,504 | 14,356 |
| Other Debtors | 20,754 | 27,610 |
| Total | 410,296 | 346,746 |
| The Authority did not a policy on provision for bad and doubtful debts and it was determined based on personal judgement. However, the Authority is developing a policy that will incorporate management of bad and doubtful debts | | |
| 4(b) Prepayments | | |
| | 1,285 | 1,308 |
| Total | 1,285 | 1,308 |
| 5 Cash & Cash Equivalent | | |
| National Bank of Kenya | 4,021 | 14,011 |
| KCB-Kisumu | 998 | (136) |
| KCB-Moi Avenue | 5,149 | 6,369 |
| Petty Cash-HQS | 3 | 30 |
| Petty Cash-Mombasa | 1 | 10 |
| KCB-Kisumu Water Account | 4,705 | (12,926) |
| Accrued Interest - Fixed Deposits | 33,642 | 53,175 |
| | 48,719 | 60,532 |
| Short Term Deposits | | |
| HFCB | 73,455 | 87,000 |
| Bank of Africa | 30,000 | 55,000 |
| National Bank | 34,900 | 25,000 |
| Co-operative Bank | 22,000 | 20,000 |
| K C B Kisumu | 35,000 | 22,950 |
| | 195,355 | 209,950 |
| Total | 244,074 | 270,482 |

Cash and Cash equivalent consists of cash on hand and balances with banks and investments in money markets. They also comprise the Cash and Cash equivalent included in the statement of cash flows and balance sheet amounts

**EXPORT PROCESSING ZONES AUTHORITY
NOTES TO THE ACCOUNTS CONTINUED.....**

| | Amount | |
|-------------------------------------|----------------|----------------|
| | 2012/2013 | 2011/2012 |
| | KSh's '000 | KSh's '000 |
| 6 Long Term Deferred Income | | |
| Balance b/f | 886,632 | 836,652 |
| Net Current Years Income | 51,583 | 55,971 |
| Adjustment of deferred income | - | - |
| Transfer to Accumulated Surplus | - | - |
| | <u>738,215</u> | <u>892,623</u> |
| Current Deferred income (as stated) | (5,991) | (3,991) |
| Balance c/f | <u>732,224</u> | <u>888,632</u> |

This is deferred income from Land, Buildings and infrastructure since the year of acquisition in (1998) from the Government. The GoK after construction of the zones handed over the same to the Authority as a grant which was Ksh 22,177,000 for land, Ksh 88,183,000 for building and Ksh 248,205,000 for infrastructure. This income is to be recognised in the income statement at a rate of Ksh 4,480,882 annually in respect to the assets and their useful life.

| | Amount | |
|--|----------------|----------------|
| | 2012/2013 | 2011/2012 |
| | KSh's '000 | KSh's '000 |
| 7 Accumulated Surplus / (Deficit) | | |
| Balance b/f | 181,247 | 185,301 |
| Restatement | 21,618 | - |
| Re-States Balance | 202,865 | 185,301 |
| Surplus/(Deficit) | (2,398) | (4,054) |
| Balance c/f | <u>200,467</u> | <u>181,247</u> |

| | Amount | |
|-------------------|----------------|---------------|
| | 2012/2013 | 2011/2012 |
| | KSh's '000 | KSh's '000 |
| 8 Deposits | | |
| Rent Deposits | 40,788 | 37,880 |
| Water Deposits | 60,846 | 55,685 |
| Sewer Deposits | 2,362 | 2,362 |
| Total | <u>103,996</u> | <u>95,927</u> |

| | Amount | |
|-----------------------------------|----------------|----------------|
| | 2012/2013 | 2011/2012 |
| | KSh's '000 | KSh's '000 |
| 9 Trade and Other Payables | | |
| Trade Creditors | 8,931 | 19,519 |
| Goods Received Note | 2,454 | 1,414 |
| Other Accruals | 128,752 | 123,827 |
| Sundry Creditors | 1,421 | 3,673 |
| Total | <u>139,558</u> | <u>148,433</u> |

| | Amount | |
|--------------------------------|------------------|------------------|
| | 2012/2013 | 2011/2012 |
| | KSh's '000 | KSh's '000 |
| 10 Revaluation Reserves | | |
| Balance B/f | 1,860,422 | 1,860,422 |
| Adjustments on Revalued Assets | 4,867,784 | - |
| Asset Revaluation | - | - |
| Balance c/f | <u>6,728,206</u> | <u>1,860,422</u> |

The revaluation reserve refers to the initial cost of land, building and infrastructure which was a grant from GOK. The total was Kshs 366,564,820.

- 11 Contingent Liabilities**
- There are disputed telephone bills amounting to Kshs 570,821.40. These relate to the Mombasa office line and we believe were erroneously billed.
 - There is an amount of Kshs 18,024,537 being VAT on the incubator project. The contract entered into was exclusive of VAT but the project could be subject to VAT as the Authority is not a licensed developer.
 - There is an arbitration going on between Conventum Housing Ltd and the Authority whose claim, if ruled against the Authority, could be well much over Ksh 1.8 Billion. This was on the dispute regarding the stopped low cost housing project whose contract/agreement was entered into, signed and sealed with the Authority's official seal without proper authority, approval and contrary to the existing resolution of the Board of Directors.

| | Amount | |
|------------------------------------|---------------|---------------|
| | 2012/2013 | 2011/2012 |
| | KSh's '000 | KSh's '000 |
| 12 Investment Income/(Cost) | | |
| Accrued Interest | (1,415) | 29,657 |
| Interest Received | 21,287 | 2,988 |
| Total | <u>19,872</u> | <u>32,645</u> |

- 13** Included in the Assets is 2 parcels of land Kajado/Kaputiei North/61 & 70 with carrying amount of Ksh 2,250,000 and already Gazetted whose titles have not been issued as the mutations have not been signed, however, the process is in progress to ensure that the titles are issued and granted in the name of the Authority.

**NOTE 14
EXPORT PROCESSING ZONES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS CONTINUED.....**

BIOLOGICAL ASSETS

| | 30-Jun-13 Amount <u>KSHS '000</u> | 30-Jun-12 Amount <u>KSHS '000</u> |
|---|--|--|
| Balance B/f as at 30th June 2012 | 20,208 | 18,691 |
| Ravaluation | 98,742 | - |
| Additions during the year | <u>1,028</u> | <u>1,517</u> |
| Balance C/f as at 30th June 2013 | <u>119,978</u> | <u>20,208</u> |

Biological assets consists of Eucalyptus plantations at the Sewerage treatment ponds

NOTE 15
 EXPORT PROCESSING ZONES AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FIXED ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 30TH JUNE 2013

| | VEHICLES (KSHS'000') | FURNITURE (KSH'000') | FIXTURES & FITTINGS (KSHS'000') | COMPUTERS (KSHS'000') | LAND (KSHS'000') | BUILDING & FIXTURES (KSHS'000') | EQUIPMENT (KSHS'000') | SPECIALIZED EQUIPMENT | INFRASTRUCTURE (KSHS'000') | TOTALS (KSHS'000') |
|---|-------------------------|-------------------------|---------------------------------------|--------------------------|---------------------|---------------------------------------|--------------------------|--------------------------|-------------------------------|-----------------------|
| COST OR VALUATION AS AT 30-JUN-2012 | 36,282 | 11,603 | 9,660 | 25,899 | 749,142 | 695,628 | 57,797 | 11,504 | 1,013,177 | 2,610,690 |
| ADDITIONS | 26,647 | | | 1,992 | | 487 | 58 | | 11,520 | 40,704 |
| RESTATED ON REVALUATION | (1,084) | 1,092 | | 6,672 | 4,676,718 | 171,528 | (21,895) | | (63,989) | 4,769,042 |
| RECLASSIFICATION | | | (9,660) | | | 9,660 | 11,504 | (11,504) | | - |
| WORK IN PROGRESS | | | | | | | | | | - |
| DISPOSALS DURING THE YEAR | | | | | | | | | | - |
| COST OR VALUATION AS AT 30-JUN-2013 | 61,845 | 12,695 | - | 34,563 | 5,425,860 | 877,303 | 47,463 | - | 960,708 | 7,420,437 |
| ACCUMULATED DEPRECIATION AS AT 30-JUN 2012 | 27,428 | 5,921 | | 25,647 | - | 67,377 | 30,938 | | 115,546 | 272,856 |
| ADJUSTMENT ON DEPRECIATION (over/under 2011/2012) | 1,554 | (752) | | (181) | - | 79 | (4,197) | | (1,709) | (5,206) |
| RESTATED ON REVALUATION | | | | | | | | | | - |
| DEPRECIATION/CHARGE FOR THE YEAR | 1,229 | 677 | | 2,617 | - | 8,094 | 1,649 | | 8,381 | 22,647 |
| DISPOSED DEPRECIATION | | | | | | | | | | - |
| ACCUMULATED DEPRECIATION AS AT 30-JUN-2013 | 30,211 | 5,846 | - | 28,082 | - | 75,550 | 28,390 | - | 122,218 | 290,297 |
| NET BOOK VALUE AS AT 30-JUN-2013 | 31,634 | 6,849 | - | 6,481 | 5,425,860 | 801,753 | 19,073 | - | 838,490 | 7,130,140 |
| NET BOOK VALUE AS AT 30-JUN-2012 | 8,854 | 5,682 | | 252 | 749,142 | 634,867 | 38,362 | | 897,631 | 2,337,835 |

NOTES TO THE FINANCIAL STATEMENTS
FIXED ASSET MOVEMENT SCHEDULE FOR THE YEAR ENDED 30TH JUNE 2012

| | VEHICLES (KSHS'000') | FURNITURE (KSH'000') | FIXTURES & FITTINGS (KSHS'000') | COMPUTER S (KSHS'000') | LAND (KSHS'000') | BUILDING (KSHS'000') | EQUIPMENT (KSHS'000') | SPECIALI ZED EQUIPME NT | INFRASTRUC TURE (KSHS'000') | TOTALS (KSHS'000') |
|--|-------------------------|-------------------------|---------------------------------------|------------------------------|---------------------|-------------------------|--------------------------|----------------------------------|-----------------------------------|-----------------------|
| COST OR VALUATION AS AT 30-JUN-2011 | 36,282 | 11,238 | 9,660 | 23,388 | 749,142 | 656,673 | 51,108 | 8,800 | 990,726 | 2,537,016 |
| ADDITIONS | | 365 | | 2,511 | - | 38,955 | 6,689 | 2,704 | 22,451 | 73,674 |
| ADJUSTMENT ON COST | | | | | | | | | | |
| WORK IN PROGRESS | | | | | | | | | | |
| DISPOSALS DURING THE YEAR | | | | | | | | | | |
| COST OR VALUATION AS AT 30-JUN-2012 | 36,282 | 11,603 | 9,660 | 25,899 | 749,142 | 695,628 | 57,797 | 11,504 | 1,013,177 | 2,610,690 |
| ACCUMULATED DEPRECIATION AS AT 30-JUN 2011 | 27,428 | 4,747 | 5,509 | 23,158 | - | 53,596 | 25,094 | - | 105,501 | 245,033 |
| ADJUSTMENT ON DEPRECIATION | | | | | | | | | | |
| RESTATEMENT ON REVALUATION | | | | | | | | | | |
| DEPRECIATION/CHARGE FOR THE YEAR | - | 1,174 | 1,107 | 2,489 | - | 7,165 | 4,806 | 1,038 | 10,045 | 27,824 |
| DISPOSED DEPRECIATION | | | | | | | | | | |
| ACCUMULATED DEPRECIATION AS AT 30-JUN-2012 | 27,428 | 5,921 | 6,616 | 25,647 | - | 60,761 | 29,900 | 1,038 | 115,546 | 272,857 |
| NET BOOK VALUE AS AT 30-JUN-2012 | 8,854 | 5,682 | 3,044 | 252 | 749,142 | 634,867 | 27,896 | 10,466 | 897,631 | 2,337,834 |
| NET BOOK VALUE AS AT 30-JUN-2011 | 8,854 | 6,489 | 4,151 | 230 | 749,142 | 603,078 | 26,013 | 8,800 | 885,225 | 2,291,983 |