REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA LEATHER DEVELOPMENT COUNCIL

FOR THE YEAR ENDED 30 JUNE, 2023

KLDC

KENYA LEATHER DEVELOPMENT COUNCIL

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30TH JUNE, 2023

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

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1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS

A: Acronyms and Abbreviations

AGPO	Access to Government Procurement Opportunities
CEO	Chief Executive Officer
CETP	Common Effluent Treatment Plan
CPA	Certified Public Accountant
CS	Cabinet Secretary
DOB	Date of Birth
EPZA	Exporting Processing Zones Authority
ERP	Enterprise Resource Planning
FY	Financial Year
HR	Human Resources
ICPAK	Institute of Certified Public Accountants of Kenya
ICT	Information Communication Technology
IFRS	International Financial Reporting Standards
IPSAS	International Public-Sector Accounting Standards
ISC	Inspectorate of State Corporation
KAM	Kenya Association of Manufacturers
KIPPRA	Kenya Institute of Public Policy Research and Analysis
KLDA	Kenya Leather Development Authority
KLDC	Kenya Leather Development Council
KLIP	Kenya Leather Industrial Park
K-CMF	Kariokor-Common Manufacturing Facility
LPO/LSO	Local Purchase Order/ Local Service Order
MAC	Management Advisory Committee
MLD	Million Litre per Day
MoU	Memorandum of Understanding
MSMEs	Micro, Small & Medium Enterprises
NCCG	Nairobi City County Government
PFM	Public Finance Management
PS	Principal Secretary
PSASB	Public Sector Accounting Standard Board
PSC	Public Service Commission
SCAC	State Corporations and Advisory Committee
SM	Square Meters
TPCSI	Training & Production Centre for Shoes Industry

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organization.

Comparative Year- Means the prior period.

2. KEY COUNCIL INFORMATION AND MANAGEMENT

(a) Background information

The Kenya Leather Development Council (KLDC) is a State Corporation by the Government of Kenya under the Kenya Leather Development C 2011 (Legal Notice No. 114 of the Kenya Gazette Supplement No September 2011, under the State Corporation Act (Cap 446), laws o Council was initiated as a specialized agency to drive the Government' the development of leather industry. To achieve this, the Council is regulate and facilitate the growth of the industry. The principal man Council is to drive the transformation of the leather value chain in the C raw material/semi-processed export driven sector to a finished leat manufacturing industry. KLDC is therefore a key driver of the Kenya Kwar Bottom-Up Economic Transformation Agenda (BETA) 2022 – 2027" manufacturing pillar. The roadmap to this success is embedded objectives which specifically address the key challenges facing it. T objectives are aligned to the Council's mandate.

(b) Principal Activities

The principal activity/function of the Council as mandated by Ke Development Council Order, 2011 (Legal Notice No. 114 of the Ke Supplement No. 113 of 9th September 2011, under the State Corporati 446), laws of Kenya are:

i) To provide advisory services to the Cabinet Secretary on matte processing of and trade in hides, skins, leather and leather goods purpose;
ii) To promote, direct, coordinate, regulate, and harmonize all act leather sector;
iii) To oversee licensing in the leather sector;
iv) To undertake research and development activities in the leather ind
v) To enforce compliance with set standards in collaboration with o institutions in the industry.
vi) To mobilize technical and financial support for the leather sector.
vii) To collect, store, analyze, and disseminate data on leather.
viii) To perform any other function, as the Cabinet Secretary may consid

Vision
To be a leading agency in transforming and promoting excellence in development of leather value chain to make it globally competitive

Mission
To provide leadership and policy direction in creating an integrated, competitive and sustainable leather sector that promotes employment creation and economic growth

Core Values
Transparency and Accountability, Professionalism, Honesty and Integrity, Teamwork, Social Responsibility, Creativity and Innovativeness, Customer Focus, Environmental Sustainability

(c) Key Management

The Council's day-to-day Management was under the following key organs:

1. Board of the Council
2. Chief Executive Officer/Secretary
3. The Secretariat

(d) Fiduciary Management

The Key Management Personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility are:

No.	Designation	Name
1.	Chief Executive Officer	Dr. Issack M. Noor, PhD
2.	Director, Technical Services	Mr. Charles Ndungu
3.	Director, Corporate Services	Mr. Mohammednoor A. Isacko
4.	Corporation Secretary /Head of Legal	Ms Carolyne Cheruiyot
5.	Manager, Finance & Accounts	CPA Albert Ariku Ekodoi
6.	Principal Supply Chain Management Officer	Mr. Erick Rithaa Kinoti
7.	Ag. Principal Internal Auditor	Dan Kachuwai

(e) Fiduciary Oversight Arrangements

The Board of Directors are the governing body for the Council providing oversight functions. In discharging its duties, the Board delegates its role to various committees: Finance & Governance, Human Resource, Risk & Compliance, Technical & Strategy and Audit. The resolutions of the Board are implemented by the Management.

COUNCIL BANKER
Kenya Commercial Bank
P. O. Box 14959- 00800
NAIROBI, KENYA

REGISTERED OFFICE
Kenya Leather Development Council
P.O. Box 14480-00800
CPA Centre 5th Floor
Along Thika Highway
NAIROBI-KENYA.

INDEPENDENT AUDITORS
Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084-00100
NAIROBI, KENYA.

PRINCIPAL LEGAL ADVISOR
The Attorney General
State Law Office -Harambee Avenue
P.O. Box 40112 -00200
NAIROBI, KENYA.

COUNCIL CONTACT
Cell-Phone: 0704617705/0709386000
Email: info@leathercouncil.go.ke
http://www.leathercouncil.go.ke

3. BOARD OF DIRECTORS OF THE COUNCIL

1.	 **Capt. Mohamed A. Adan** **Chairperson of the Board**	Capt. Mohamed A. Adan born 7th January, 1965 was appointed Chairman of the KLDC Board via gazette notice No. 4390 of 3rd April 2023. He holds an Executive Master of Business Administration in Aviation from Moi University. He also holds an Airline Transport License and Commercial Pilot's Course from the Qualiflight Training Inc, Fortworth, Texas, USA. He is an Aircraft Type Rating Examiner and Instrument Rating Examiner by the Kenya Civil Aviation Authority (formerly Directorate of Civil Aviation). He previously served as the Technical Director and is currently the Managing Director, Bluebird Aviation, an air charter company specializing in air transport of cargo, passengers, rescue and medical evacuations; that he co-founded in 1992 and continues to operate.
2.	 **CPA. Michael K. Nyangi** **Member**	CPA. Michael Nyangi born 1975 is an independent member appointed to the KLDC, Board of Directors by the Cabinet Secretary, Ministry of Agriculture and Livestock Development vide Gazette Notice No. 4396 of 3rd April 2023. He holds a BSC in International Business Administration from USIU, a Certified Public Accountant of Kenya (CPA-K), Certified Public Secretary of Kenya (CPS-K), and an ACFE, and is currently pursuing a Master of Science in Finance and Investments at the University of Nairobi. He is well-versed in international accounting standards, international financial reporting standards, financial modeling, budgeting, and tax audit management. He has over 25 years of industry experience. He presently serves as the Chief Financial Officer at Iberafrica Power (EA) and Thika Power. He formerly worked at Comtec Group as a senior accountant and finance and administration manager, as well as Hashi Empex and St. Hannah's School as an accountant. He is actively involved in the community and is currently the captain of Kiambu Golf Club. He was the club's treasurer for the previous two years.

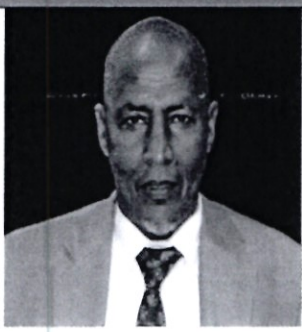
3.	 **Ms. Florence C. John** **Member**	Ms. Florence born 1967 is an independe appointed to the KLDC, Board of Directors by Secretary, Ministry of Agriculture anc Development vide Gazette Notice No. 4396 2023. She is a seasoned farmer with more tha experience. Also, she has over 10 years' expe banking sector having worked for both Kenya Bank and Cooperative Bank. She also worked of the President for 4 years. She holds a Secretarial Studies, and a certificate in Office M for Secretaries.
4.	 Ms. Regina N. Muthami Member	Ms. Regina born 1969 is an independe appointed to the KLDC, Board of Directors by Secretary, Ministry of Agriculture anc Development vide Gazette Notice No. 4396 of She holds a Bachelor of Education (Arts) fr University. She has worked as a Graduate Te Boys Secondary School and Maganjo Secor served as a Supervisor and Invigilator with Ke Examinations Council. She is passionate abo the livelihood of the vulnerable in the society.
5.	 **Mr Joseph N. Mbogo** **Rep. PS State Department of Livestock**	Mr. Mbogo holds a Master's of Science degre Technology (University of Northampton-UK, 200 of Science degree (University of Nairobi, 1' served in government in various positions start school teacher with the TSC, lecturer at both and University of Nairobi, a researcher at Ke Research and Development Institute (KIRDI). H the Director of Leather Development, State D Livestock and alternate Director KLDC to Secretary, State Department of Livestock.

6.	 **Mrs. Esther N. Njoroge Member**	Mrs. Esther Njoroge born 1963 is an independent member appointed to the KLDC, Board of Directors by the Cabinet Secretary, Ministry of Agriculture and Livestock Development vide Gazette Notice No. 3895 of 24th March 2023. Esther holds a Diploma in Counselling Psychology from Amani Training & Counselling Institute, Advanced National Certificate in Business Administration from Kenya Institute of Management, Full Secretarial Course from Valley Secretarial College and is currently pursuing a BA in Counselling Psychology from Tangaza University College. She has worked at Shelter Afrique as an Executive Assistant, Unilever Kenya Ltd, Salama Freight Company and Tru Fruits (K) Ltd as Executive Assistant, Administrative Assistant and Secretary to the Managing Director respectively. She also served as a Board Member of Maisha Bora Sacco and Maisha Bora Ventures.
7.	 **Mr. Peter Gathii Reuben Member**	Mr. Peter Gathii born 1964 is an independent member appointed to the KLDC, Board of Directors by the Cabinet Secretary, Ministry of Agriculture and Livestock Development vide Gazette Notice No. 4396 of 3rd April 2023. Mr. Gathii is a holder of a Diploma in Meat Technology and a Certificate in Animal Health. He is currently the Director at Westgate Shield Group of Schools and Kenashi International Limited.
8.	 **Mr Johnson M. Mwangi Rep CS, National Treasury**	Mr. Johnson Mwangi born 1973 is currently a Senior Deputy Director, Macro and Fiscal Affairs Department in the National Treasury. He has served as an Economist for 26 years in various Government Ministries including in the Office of the Vice President and Ministry of planning and National Development, Ministry of Environment and Natural Resources, Ministry of Education, Science and Technology, Ministry of Health and the National Treasury. He holds a Bachelor of Arts (BA) in Economics and Master of Arts (MA) in Economics degrees from the University of Nairobi.

9.	 **Dr. Moses Oude Amoo** **Member**	Dr. Moses Amoo born 1974 is an independent member appointed to the KLDC, Board of Directors by the Cabinet Secretary, Ministry of Agriculture and Livestock Development vide Gazette Notice No. 4396 of 3rd April 2023. Dr. Amoo holds a PhD and Masters in Leadership Administration and Management from Northwestern Christian University. He holds a Bachelor's Degree in Business Administration (Finance) from Makerere University and a Diploma in Business Administration (Accounting) from Mombasa Aviation Training Institute. He served as the Managing Director at Camo Freighters Limited and More Forwarders Limited, Operations Manager at Habo Agencies Limited. He also worked for Kenya Postal and BAT Kenya.
10.	 **Mr. David K. Rotich** **Member**	Mr. David Rotich born 1960 is an independent member appointed to the KLDC, Board of Directors by the Cabinet Secretary, Ministry of Agriculture and Livestock Development vide Gazette Notice No. 4396 of 3rd April 2023. He worked at the City Council of Nairobi in the rank of Constable rising to the rank of Senior Superintendent and once acted as Deputy Director City Inspectorate. Mr. Rotich also served as the Chairman of the Kenya-Inter Municipalities Sports and Cultural Association (KIMSCA), East Africa Local Authorities Sports and Cultural Association (EALASCA), Nairobi City Council Cooperative Society (NACICO) and Manyoror Secondary School.
11.	 **Dr. Issack M. Noor** **Secretary/Chief Executive Officer**	Dr. Noor holds a PhD in Livestock Production Systems, Egerton University, (2013), MSc (Animal Production), University of Nairobi, (2009), BSc (Animal Health) Egerton University (1995) and a Certificate (Animal Health) Ahiti-Nyahururu, (1990). He has over 35 years of public service experience with veterinary department, teaching, research, and administration.

12.	 **Carolyne Cheruiyot Corporation Sec/ Head of Legal**	Carolyne Cheruiyot is an Advocate of the High Court of Kenya with over 10 years' experience in legal practice. She is a Certified Secretary and a member of the Institute of Certified Secretaries - Kenya. Carolyne holds a Master of Laws Degree-University of Nairobi, Postgraduate Diploma-Kenya School of Law and a Bachelor of Laws Degree from the University of Nairobi. Carolyne has a Senior Management Certification from the Kenya School of Government and is also knowledgeable on Data Protection Law and Legal Audit & Compliance. She is a passionate expert in corporate governance, arbitration, conveyancing, litigation and commercial transactions.

4. MANAGEMENT TEAM

No	Name	Key Academic & Professional Qualification	Area of Responsibility
1.	 **Dr Issack M. Noor, PhD**	Dr. Noor holds a PhD in Livestock Production Systems, Egerton University, (2013), MSc (Animal Production), University of Nairobi, (2009), BSc (Animal Health) Egerton University (1995) and a Certificate (Animal Health) Ahiti- Nyahururu, (1990). He has over 35 years of public service experience with veterinary department, teaching, research, and administration.	**Chief Executive Officer/ Secretary**
2.	 **Mr Charles M. Ndungu**	Mr. Ndungu holds a BSc Leather Technology degree (2004), Certificate in Hides and Skins Improvement (1981). He has attended courses in Cluster Management, Leather Finishing, and Business Incubation.	**Director, Technical Service**
3.	 **Mr Mohammednoor A. Isacko**	Isacko has a wealth of HR professional experience spanning over 14 years in various organisations, including County Public Service Board of Marsabit as Board Secretary/Chief Executive Officer, Kenya Meat Commission as Chief Human Resource & Administration Manager. Isacko has held various portfolio as Human Resources Officer in various organization. A Human Resource Professional with vast experience in management, Isacko holds Masters in Business Administration from the University of Nairobi and a Bachelor of Commerce (Human Resource Management) from the same university. He holds higher national diploma from Institute of Human Resource Management and Diploma in Public Administration from Institute of Galilee (Israel).	**Director, Corporate Service**

No	Name	Key Academic & Professional Qualification	Area of Responsibility
4.	 **Carolyne Cheruiyot**	Carolyne Cheruiyot is an Advocate of the High Court of Kenya with over 10 years' experience in legal practice. She is a Certified Secretary and a member of the Institute of Certified Secretaries - Kenya. Carolyne holds a Master of Laws Degree-University of Nairobi, Postgraduate Diploma- Kenya School of Law and a Bachelor of Laws Degree from the University of Nairobi. Carolyne has a Senior Management Certification from the Kenya School of Government and is also knowledgeable on Data Protection Law and Legal Audit & Compliance. She is a passionate expert in corporate governance, arbitration, conveyancing, litigation and commercial transactions.	**Corporation Secretary /Head of Legal**
5.	 **Mr Paul M. Ephantus**	Paul is a former Employee of State Department of Livestock as an Acting Director Leather Development. BSc. (Hons.) Materials Technology (Leather) from the University of Northampton (UK) and MSc. Environmental Legislation and Management -ongoing He is a Visionary, Strategic and Transformative Leader and an expert in formulating Environmental and Leather Policies, Developing Leather Strategies and Enacting Environmental Legislations. He is the founder & chairman of Kenya Association of Leather Technologist and Scientists (KALTS), a professional body for Leather Development Professionals.	**Manager, Capacity Building**

No	Name	Key Academic & Professional Qualification	Area of Responsibility
6.	 **Dr. Ahmed A. Hassan, PhD**	Holds a BSc (Hons) from Northampton University U.K. Masters in Business Administration (MBA) Strategic Management option from Kenya Methodist University and Doctor of Philosophy in Business Administration (Strategic Management option from Jomo Kenyatta University of Agriculture Technology, Nairobi Kenya. Holds a thirty-five years' experience in the leather industry.	**Manager, Quality Assurance & Compliance**
7.	 **Mr John Otieno Okumu**	John holds MSc in Environmental Planning & Management - Maseno University, BSc in Material Science (Leather) - University of Northampton, Certificate in Hides & Skins Improvement - AHITI Kabete, KCE certificate from Mawego Technical School. A leather professional with over 34 years of experience.	**Manager, Promotions & Marketing**
8.	 **Mrs Yvonne K. Nkoiboni**	Yvonne is a Human Resource practitioner with over 10 years of experience. She has vast experience in recruitment, training, discipline, employee relations, performance management and rewards management. She has a bachelor's degree in Human Resource Management and is a member of the Institute of Human Resource Management.	**Manager, Human Resources & Administration**
9.	 **CPA Albert Ariku**	Albert holds Master of Business Administration (Finance) – Moi University, and Bachelor of Business Management (Accounting) – Masinde Muliro University. He is an astute professional with vast knowledge and experience in Public Finance, Accounting, Auditing & Assurance. He is a member of the Institute of Certified Public Accountants of Kenya (ICPA- K) and Institute of Internal Auditors - Kenya (IIA-K) and ICS-K.	**Manager, Finance & Accounts**

No	Name	Key Academic & Professional Qualification	Area of Responsibility
10.	 **Mr. Erick Rithaa Kinoti**	Eric is the head of procurement and supply chain management function at the Council. He is seasoned professional in supply chain management and governance in both public and private sector. He is a finalist Master of business administration and a bachelor of commerce degree (procurement and supply chain Management) holder, with CPA part II certification. He is a member of the Kenya Institute of Supplies Management (KISM).	**Principal Supply Chain Management Officer**
11.	 **Hellen K. Mutegi**	Hellen holds a Master's Degree in Project Planning and Management from the University of Nairobi. She is a committed, dedicated and result Oriented Officer with a wealth of experience in research, project planning and management, Monitoring and evaluation and Training of trainers.	**Principal Planning & Strategy Officer**
12.	 **Mr.Issack Alio**	Mr. Issack is a seasoned Communication Specialist with more than twelve years of expertise in the field. He holds a Bachelor's degree in Communication and Media, a Master's in Journalism and Mass Communication from Egerton University and currently pursuing a PhD in Communication at Daystar University.	**Principal, Communications & Publicity Officer**

5. CHAIRMAN'S STATEMENT

It is great pleasure to present the annual report and financial statements for the financial year (FY) 2022/2023. This report is a reflection of the commitment of the newly reconstituted Board and management in striving to achieve impactful interventions to grow the leather industry. The industry is expected to be a priority sector under the manufacturing pillar of the Government's Bottom-Up Economic Transformation Agenda (BETA) 2022 -2027 and Kenya Vision 2030 Medium Term Plan IV development goals. The leather industry also continues to amplify the central role of the Kenya Leather Development Council (KLDC) in the sector's development and promotion of the value chain.

The Board and the management have continued to ensure that the Council discharges its mandate through the realization of the strategic objectives set in the draft strategic plan FY 2022/2023- 2026/2027. The previous Board had approved the initial draft strategic plan. However, there was need to review it following new Guidelines issued by the State Department for Economic Planning. The strategic plan FY 2022/2023 - 2026/2027 has enhanced objectives with regard to strengthening the Council and conquering local and international markets. The focus for the Council has been to facilitate excellence in the leather industry; enhance leather sector infrastructure; promote leather processing and product manufacturing; and promote leather marketing. These objectives are designed to transform Kenya towards becoming a leather manufacturing hub.

The Council has continued to work in collaboration with critical partners locally and internationally and has also benefited from the support given by the parent Ministry of Agriculture and Livestock Development, the National Treasury, other Government departments and agencies. In addition, the Board has maintained a culture of robust stakeholder engagements as stipulated in Chapter Six (6) of the Code of Governance of State Corporations, Mwongozo, 2015. These efforts have been critical in the induction of the newly appointed directors, identifying industry challenges and focus areas for the Board during their term in office.

Core Mandate

In the financial year, there was an increase in the implementation of critical activities, programs and projects with a notable increase in capacity building of industry players, outreach programmes, stakeholder engagement, Board and staff training.

The objective of enhancing the leather sector infrastructure was met through the continued development of the Kenya Leather Industrial Park (KLIP). Notably, the construction of the Common Effluent Treatment Plant (CETP) has progressed well as the machinery installation is almost complete. However, the completion has been curtailed by the nuances of joint implementation with the Export Processing Zones Authority (EPZA) and lack of sufficient funding from the National Treasury. Construction of the four (4) leather industrial warehouses which are expected to provide a "plug and play" incentivised facility for investors is at an advanced stage, but lack of adequate funding is still a challenge. The enablers of the project such as the Ministry of Roads, Kenya Power, Tanathi Water Works Development Agency and The Ministry of ICT are at various stages in the implementation of their respective components. Construction of the road network to access the park and within the park has begun. Tanathi Water Works Development Agency has also commenced development of the infrastructure necessary for water provision. Since the development of these critical infrastructure and utilities will bolster the competitiveness of the Leather Park, the management continues to pursue the implementation of all components, including ICT infrastructure and security. As the operationalization of the KLIP becomes a reality, the Board has approved the Investor Occupation Criteria and the same will be advertised as soon as the Council obtains formal allocation of the KLIP land from EPZA.

With respect to the Council's objective for promotion of leather processing and product manufacturing, the Kariokor CMF which is expected to bolster local footwear and leather goods competitiveness is now operational. Since the handing over of the facility on the 14th July, 2021 to KLDC by the Nairobi City County Government, the customization of the facility was completed, as well as the installation, testing, training and commissioning of the machinery. The facility became operational in the second quarter of the FY 2022/2023 and several Micro, Small and Medium Enterprises (MSMEs) have benefited from the trainings offered.

KLDC has continued to nurture the Training and Production Centre for Shoe Industry (TPCSI), Thika, in order to ensure that it achieves its strategic objective of supporting growth in the leather sector through appropriate skills development. The Board took cognizance of the challenges regarding the registered ownership of the facility and now receives quarterly reports for the financial and social impact parameters of TPCSI, which will inform strategic decisions with regard to the Centre's future.

I am pleased to report that, in the financial year, the Leather Development Policy which is intended to provide a dedicated roadmap for the short term and long-term development of the sector was approved by the Cabinet in March 2023.

Good Governance & Human Resource Capital

The Directors have benefited from induction through the State Corporations Advisory Committee (SCAC) seminar, stakeholder engagement, site inspections and benchmarking throughout the country. This comprehensive induction has equipped the Board to ably discharge its oversight duty, understand the principles of good governance, the code of governance of state corporations (Mwongozo) and their role and responsibilities.

The Board is committed in guiding the management in realisation of the Council's key performance indicators contained in the performance contract. The Board has overseen the recruitment of new employees to the Council to fill the gaps for officers who had left for greener pastures elsewhere as well as the approved pending vacancies to enhance effectiveness. However, human resource gaps still exist in various departments and hence need to be addressed accordingly. There are plans, subject to availability of funds, to achieve the full staff establishment currently at one hundred and twenty-eight (128).

I am grateful to the new political dispensation, which has prioritized the leather sector. This will sustain the momentum in leather sector development and promotion of the value chain. By doing so, the sector shall contribute significantly towards wealth creation, income generation opportunities and have an important social impact in improving the lives and livelihoods of Kenyans.

Capt. Mohamed A. Adan
<u>Chairman of the Board</u>

6. REPORT OF THE CHIEF EXECUTIVE OFFICER

I present the Annual Report and Financial Statements for Kenya Leather Development Council (KLDC) for the year ended 30thJune 2023. The Council has continued to execute its mandate of driving the transformation of the leather value chain in the Country from a raw material/semi-processed export-driven sector to a finished leather product manufacturing industry. KLDC is therefore a key driver of the Bottom-Up Economic Transformation Agenda (BETA) 2022 -2027 and Kenya Vision 2030 Medium Term Plan IV development goals under the manufacturing pillar.

During the FY 2022/2023, the Council has continued to facilitate a value driven and sustainable leather industry guided by the establishing legal instrument and the BETA Plan, with the primary focus being the quality of leather & leather products manufactured for both local and export markets.

In the financial year, the Council's final approved budget was Kshs. 271.3 million including previous year's balances. The actual expenditure was Kshs. 263.5 million which translate to a positive absorption rate of 97 per cent, enabling the Council to achieve a high implementation rate for its planned activities for the financial year.

To optimize output among the staff, individual employees sign Performance Contracting (PC) refocusing the Council to be keen on rewarding high performance while at the same time building on the values of the Council. Employee engagement remains a key priority going forward as we aim to improve on the culture of our work environment. We aim to build a dynamic Council which supports our strategy and growth and to achieve this end, the Council continues to invest in proper and efficient operational systems aimed at optimizing performance and capturing opportunities. The realization of these dreams has seen the Council grow its human resource base as well as acquire an Enterprise Resource Planning (ERP) tool to enhance productivity and efficiency of internal operations during the year.

In a bid to modernize operations that is aimed at enhancing provision of common manufacturing services, the Council completed the installation and commissioning of modern machinery/equipment at the Training and Production Centre for Shoe Industry (TPCSI), Thika, and Kariokor Common Manufacturing Facility (KCMF), Nairobi.

During the year under review, the Leather Development Policy which is intended to provide a dedicated roadmap for the short term and long term development of the sector was approved by the Cabinet.

I am pleased to report a remarkable progress in the construction, installation and equipping of the Common Effluent Treatment Plant (CETP), jointly implemented by the Council and the Export Processing Zones Authority (EPZA), by the Contractor at the Kenya Leather Industrial Park (KLIP), Kinanie, Machakos County.

In view of the foregoing development, the construction of modern state-of-the-art leather industrial warehouses measuring 5,000 square meters and 2,500 square meters for tanneries and leather products manufacturing, for 'plug and play' are respectively 75% and 86% complete. The overall certified works done at KLIP, Kinanie are at 84% complete. Meanwhile, other government enablers (Roads, Power, Water, ICT and Security) have been engaged to fast-track their contribution towards realization of the park.

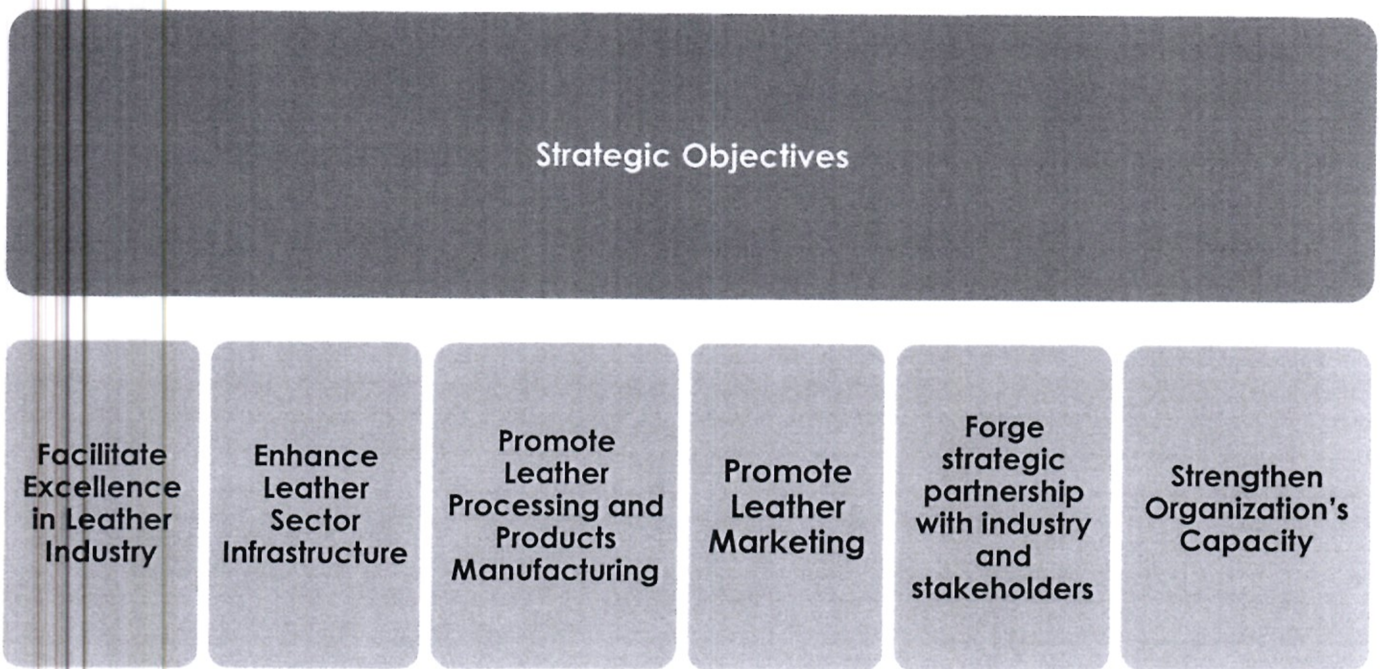
The Council's five-year Strategic Plan for the period FY 2022/23 – 2026/27 which has enhanced objectives with regard to strengthening the Council and conquering local and international markets was approved by the previous Board of Directors. However, the same is currently under review to ensure compliance with new Guidelines issued by the State Department for Economic Planning.

I thank the Board of Directors for their leadership and guidance throughout the year and the members of staff for their commitment towards achievement of the set targets. I also thank our stakeholders for their support and look forward to cordial working relationship.

Dr. Issack M. Noor, PhD
Chief Executive Officer

7. STATEMENT OF COUNCIL'S PERFORMANCE AGAINST STRATEGIC OBJECTIVES FOR FY 2022/23

The Council's activities and projects are in pursuant of realizing the four strategic objectives of the new five-year strategic plan 2022 – 2027 and the national objective of transforming the leather industry into an internationally competitive regional leather and leather products manufacturing hub through the Bottom up Economic Transformation Agenda (*BETA*). Each strategic objective addresses particular requirements for continuous improvement of performance of the leather sector at raw material production, leather processing and product manufacturing. These strategic objectives are:



In the drive towards the realization of these objectives, the Council is implementing various projects and programs that inform the planning of the annual activities. The planned activities for each year build on the achievements of the preceding year as well as lessons learned or any new dynamic that comes into play in the course of the year.

The current projects and programs include: -

i) Development of the Kenya Leather Industrial Park in Kinanie Machakos County.
ii) Establishment of a Common Manufacturing Facility (CMF) at Kariokor Nairobi County.
iii) Upgrading of Training and Production Centre for Shoe Industry (TPCSI) Thika, Kiambu County.
iv) Development of national leather policy.
v) Hides and skins quality improvement program.

During the Financial Year 2022/2023, issues of quality of hides and skins were identified as a major challenge in the development of the sector and the Council initiated the development and implementation a national program for quality improvement.

Apart from the interventions under the strategic objectives, other emerging dynamics affected the performance of the sector. During the year, the national election and post-election challenges and economic slowdowns had negative effects on the sector resulting in low revenue collections across all quarters that arose from poor consumption of leather products. This reduced the country's main exports of wet-blue/crust leather affecting the local raw hides and skins supply systems due to reduced prices.

The Council achieved its performance targets set for the FY 2022/23 period for its four strategic pillars as indicated in the table below while the targets for the other two pillars to be set in the current financial year 2023/24:

Table 1.0: Statement of Council Performance against strategic objectives

Strategic objective	Specific Objective	Key performance indicators	Activities	Achievements
Pillar 1: Facilitate Excellence in Leather Industry	Development of a national leather policy	Final draft policy	Finalization of draft national leather policy	Draft finalized and forwarded to the Ministry
	Improvement of hides, skins and leather quality	Number of Counties Facilitated	Training and sensitization of 10 counties (5 high livestock & 5 high slaughter) identified	Enhanced skills to improve quality in 12 Counties
		Number of flayers trained	Train 250 flayers	117 flayers trained
		Number of hides and skins producers/ traders sensitized	Sensitize 150 hides and skins traders	155 producers sensitized
				12 TOTs sensitized on quality production
Pillar 2: Enhance Leather Sector Infrastructure	Provide a modern Common Effluent Treatment Plant (CETP)	% Completion	Construction of a CETP and other related works	80% Complete machine and equipment installation ongoing.

	Provision of plug and play industrial warehouses	% Completion	Construction of 4 industrial warehouses (2 of 2500SM & 2 of 5000SM)	85% Complete
Pillar 3: Promote Leather Processing and Product Manufacturing	Operationalize Kariokor Common Manufacturing facility	% Completion	Completion of Kariokor warehouse	100% complete
		Number of Machines delivered and installed	Delivery and Installation of 65 machines/ equipment	65 machines/ equipment delivered and fully installed and operators trained.
	Upgrade of Training and Production Centre for Shoe Industry (TPCSI)	Number of machines Installed	Installation of 33 machines	44 machines installed including additional donation from ALLPI.
		Number of operators trained	Training of 15 machine operators conducted	23 operators trained
Pillar 4: Promotion of Leather Marketing	Enhance access to markets	Market survey report	Carryout market survey of leather products	One market survey done
		Number of MSMEs promoted through the website	Promote 10 MSMEs product through KLDC website	Products of 13 MSEs promoted
	Enhance footwear and leather goods competitiveness	Number of MSMEs accessing TPCSI facility	Facilitate 25 MSMEs to access TPCSI common manufacturing facility	27 MSMEs accessed
		Number of MSMES trained on compliance to standards	Train 50 MSMEs manufacturing leather products on standards compliance.	56 MSMEs trained

8. CORPORATE GOVERNANCE STATEMENT

The principal mandate of the Kenya Leather Development Council (KLDC) is to undertake leather sector development and promotion of the leather value chain. The Council discharges its mandate in accordance with the provisions of the Kenya Leather Development Council (Order) L.N. No. 114 of 2011, under the State Corporations Act (Cap 446) of the Laws of Kenya. The Council's strategic objectives are geared towards driving the transformation of the leather value chain in the Country from a raw material/semi-processed export driven sector to a finished leather products manufacturing industry.

KLDC is a key driver of the "*Bottom Up Economic Transformation Agenda (BETA)*" for jobs creation under the manufacturing pillar of Vision 2030. The roadmap to achieve success is embedded in the draft Strategic Plan for FY 2022/23 - 2026/27. The strategic objectives address the key challenges facing the leather sub-sector and are aligned to the Council's mandate. The design of the Council's next Strategic Plan for the FY 2022/2023 - FY 2026/2027 is at an advanced stage and is expected to be launched in the current financial year.

The Council is parented by the Ministry of Agriculture and Livestock Development, under the State Department of Livestock Development (SDL). The Board is the apex organ and was reconstituted by the appointment of Capt. Mohamed A. Adan as the Chairman of the Board with effect from the 5th April, 2023 and the appointment of the following seven independent Directors on the same date and one more a month before;

i. CPA Michael K. Nyangi
ii. Ms. Florence C. John;
iii. Ms. Regina N. Muthami
iv. Mrs. Esther N. Njoroge
v. Mr. Peter Gathii Reuben
vi. Dr. Moses Oude Amoo and
vii. Mr. David K. Rotich

The Board underwent extensive induction conducted by the State Corporations Advisory Committee (SCAC) as well as an industry-based induction. This has equipped the Board with knowledge to understand and uphold the principles of good corporate governance and discharge their oversight role as envisaged in the provisions of Section (15) of the State Corporations Act (Cap 446) of the Laws of Kenya and KLDC's enabling statute. The section provides that the Board shall be responsible for the proper management of the affairs of a state corporation and shall be accountable for the moneys; the financial business and the management of the entity.

The Board delegates its roles to the Council's management led by the Chief Executive Officer who is the accounting officer. He is accountable to the National Assembly in accordance with Section (68) of the Public Finance Management (PFM) Act of 2012, in ensuring that the public resources are used in a way that is lawful and authorised; effective and efficient; economical and transparent.

Corporate Governance Principles

In pursuit of the corporate objective, the Council committed to the highest level of good governance. KLDC strives to foster a culture that upholds the Constitution of Kenya (2010), values and rewards exemplary performance within clear ethical standards, corporate integrity, upholding respect for all and safeguarding national interest.

The Board discharges its role and functions in compliance with the enabling law, the State Corporations Act and the requirements contained in Mwongozo (The code of Governance for State Corporations) and all other applicable laws, rules and regulations. Mwongozo identifies the roles and functions of the Board which should be exercised collectively. The roles and functions include determination of the organization's vision, mission, purpose and core values; to set and oversee the overall strategy and approve polices of the Council; approve the annual budget; monitor the organization's performance and ensure sustainability; hire the CEO and approve the appointment of senior management staff while ensuring sustainability of the succession plan of the Council ; and ensure effective communication with stakeholders. During the year, the Board conducted all its quarterly and special meetings as required by law, upholding high ethical standards and without any conflict of interest.

The Board governs the Council consistent with the stated business strategy indicated in the Council's values of equity, team work, meritocracy, accountability and probity all contributing to the commitment to transparency and high-quality governance system.

Constitution of the Board of Directors

The Chairperson of KLDC is appointed by the President of the Republic of Kenya. The Principal Secretary of the Parent Ministry and National Treasury appoint one alternate each to the Board. The Cabinet Secretary (CS) of the Parent Ministry appoints seven (7) independent Board members and the CEO is appointed by the CS upon recommendation by the Board.

Size and composition of the Board

The Board of Directors during the reporting year consisted of a chairperson; seven (7) independent members; and two alternates- one to the PS of the Parent Ministry and the other the CS National Treasury. The Inspectorate of State Corporations (ISC) was also represented in the Board by Mr. Isaac O. Odek.

The skills matrix for the Board consists of individuals who possess extensive experience in various disciplines, which are applicable in the overall governance of the Council and achieved the right balance of skills and experience necessary in decision making.

Table 1.1: Details of the Board members during the financial year

No.	Name	Designation	Date of Appointment	Date of expiry	Term	Qualification	County
1	Capt. Mohamed A. Adan	Chairperson	05.04.2023	04.04.2026	1st	Masters	Nairobi
2	CPA. Michael K. Nyangi	Member	05.04.2023	04.04.2026	1st	Bachelors	Kiambu
3	Ms. Florence C. John	Member	05.04.2023	04.04.2026	1st	Diploma	Uasin Gishu
4	Mr. Joseph Mbogo	Alt. PS SDL	06.07.2020	TBA	N/A	Masters	Kirinyaga
5	Ms. Regina N. Muthami	Member	05.04.2023	04.04.2026	1st	Bachelors	Murang'a
6	Mrs. Esther N. Njoroge	Member	24.03.2023	23.03.2023	1st	O' Level	Nairobi
7	Mr. Johnson Mwangi	Alt. CS Treasury	17.07.2020	TBA	N/A	Masters	Nyeri
8	Mr. Peter Gathii Reuben	Member	05.04.2023	04.04.2026	1st	Diploma	Kiambu
9	Dr. Moses Oude Amoo	Member	05.04.2023	04.04.2026	1st	Doctorate	Busia
10	Mr. David K. Rotich	Member	05.04.2023	04.04.2026	1st	O' Level	Kericho
11	Mr. Isaac Odek	Rep. ISC	TBA	TBA	N/A	Masters	Kisumu
12	Dr. Issack M. Noor	CEO	01.08.2021	31.07.2026	2nd	Doctorate	Mandera
13	Carolyne Cheruiyot	Corp. Sec.	03.07.2023	02.07.2028	1st	Masters	Baringo
PREVIOUS BOARD OF DIRECTORS							
1	Mr. Francis Munywoki	Chairperson	06.10.2021	05.04.2023	1st	Masters	Kitui
2	Ms. Elizabeth Kamau	Member	21.10.2019	Expired	2nd	Diploma	Kiambu
3	Mr. Vincent Marube	Member	28.10.2021	05.04.2023	1st	Masters	Kisii
4	Mrs. Silvana Kaparo	Member	28.10.2021	05.04.2023	1st	Masters	Samburu
5	Mrs. Florence Hegarty	Member	28.10.2021	05.04.2023	1st	Masters	Kajiado
6	Mr. Kagiri Kamatu	Member	28.10.2021	05.04.2023	1st	Masters	Kirinyaga
7	Mr. Joseph Mwago	Member	28.10.2021	05.04.2023	1st	Masters	Gatundu
8	Mr. Jilo Komora	Member	28.10.2021	05.04.2023	1st	Masters	Tana River
9	Ms. Njeri Chege	Corp. Sec.	01.11.2019	Resigned	1st	Master(En)	Kiambu

The Board conducts its business through four committees; the Finance and Governance Committee; the Technical and Strategy Committee; the HR, Risk & Compliance Committee; and the Audit Committee. A chairperson was appointed for each committee from the independent members and each director served in at least two (2) committees.

Induction and Evaluation

The Council facilitated the induction of the new Board members which was conducted by the State Corporations Advisory Committee (SCAC). The Directors familiarized themselves with the Council's operations including the inspection of the key Council's projects which are at the Kenya Leather Industrial Park (KLIP), the Kariokor Common Manufacturing Facility

(KCMF) and the Training and Production Centre for Shoe Industry (TPCSI). In addition, the Board undertook stakeholder engagement and surveyed operations in key segments of the value chain such as the tanneries, leather footwear and products manufacturers amongst others so as to identify focus areas to be addressed by the Board.

The annual SCAC Board self-evaluation for the FY 2022/2023 is yet to be conducted as usual in the State Corporations Management Information System (SCMIS) with the guidance of SCAC officers.

Board Meetings

The newly constituted Board convened for its inaugural meeting on 19th of April, 2023 at which the committees were reconstituted. The Board in compliance with the directives by the Public Service Commission and the guidelines by SCAC held Board committee meetings and a full Board meeting at least once in every quarter. Special meetings were occasionally convened to address urgent matters. The newly constituted Committees held one quarterly meetings except for the Human Resource, Risk and Compliance Committee which convened for two special committee meetings.

The regular meetings ensured that the Board was able to exercise its oversight role, undertake continuous assessment of performance of the management and ensure alignment with the Council's strategic objectives. The committees of the Board considered the agenda in detail and made recommendations for adoption in the full Board meetings. The Directors received sufficient notice as prescribed in Mwongozo and board papers were shared in advance to enable them prepare for the meetings.

The previous Board some of whose term either expired or was revoked upon appointment of new board members on 5th April, 2023 held the first three quarterly committee meetings and its quarter full Board meetings. In addition, they held various special meetings to discuss urgent matters that needed to be addressed accordingly.

Table 1.2: Board meetings held in the FY 2022/2023

MEETING	Planned No. of Meetings	Actual No. of meetings
Full Board	4	5
Finance and Governance	4	5
Audit	4	4
Human Resource and Risk Compliance	4	6
Technical and Strategy	4	4
Ad hoc Meetings	0	4

Composition of Board Committees

The Board has established four (4) standing committees that assist to discharge its functions. With the newly constituted Board, the committees' members during the year were as shown:

Table 1.4: Board Committees membership

	Name of the Committee	Members
1.	Finance and Governance	1. CPA Michael K. Nyangi - Chairperson 2. Ms. Florence John - Member 3. Ms. Regina N. Muthami - Member 4. Mr. Johnson Mwangi - Member 5. Mr. Peter G. Reuben - Member 6. Dr. Issack M. Noor - CEO/Secretary 7. Ms. Carolyne Cheruiyot - Corp Secretary
2.	Audit	1. Mr. David Rotich - Chairperson 2. Dr. Moses Amoo - Member 3. Ms. Esther N. Njoroge- Member 4. Mr. Johnson Mwangi - Member 5. Mr. Dan Kachuwai - Ag. PIA/Secretary
3.	Human Resource and Risk Compliance	1. Ms. Esther N. Njoroge - Chairperson 2. CPA Michael K. Nyangi -Member 3. Ms. Regina N. Muthami -Member 4. Mr. Joseph N. Mbogo - Member 5. Dr Issack M. Noor -CEO/Secretary 6. Ms. Carolyne Cheruiyot -Corp Secretary
4.	Technical and Strategy	1. Dr. Moses Amoo - Chairperson 2. Mr. David Rotich - Member 3. Ms. Florence John - Member 4. Peter G. Reuben - Member 5. Mr. Joseph Mbogo - Member 6. Dr Issack M. Noor - CEO/Secretary 7. Ms. Carolyne Cheruiyot - Corp Secretary

Financial Management

During the FY 2022/2023 the Board's financial management was executed by the CEO.

The Board on the recommendation of the Finance & Governance Committee, considered, deliberated, gave directions, amendments and approved the quarterly financial statements that were submitted to National Treasury.

The Board acknowledges the need for strategic partnerships and encourages the participation of the private sector in our financial matrix. The pressing needs for additional financing to complete the ongoing projects and the clear need for transparency makes engagement with and reporting to the government and other stakeholders critical. The increasing requirement for prudent financial management has heightened the level of interest in the Council's approach to risk management and assurance.

The Council incurred a total expenditure of **Kshs. 17.7 million** in facilitating the Board meetings and activities which includes the statutory gross monthly honorarium of KShs. 87,000 paid to the chairman.

Table 1.5: The Board gross expenditure

DIRECTOR	HONORARIA	SITTING	DSA	MILEAGE	TRAINING	MEDICAL	OTHER EXPENSES	TOTAL
Cpt Mohamed A Adan	250,333	180,000	82,800	33,605	60,000	-	-	**606,738**
Mr Michael Nyangi		220,000	285,000	13,854	60,000	-	-	**578,854**
Ms Florence John		180,000	246,600	100,000	60,000	-	-	**586,600**
Ms Regina Muthami		220,000	285,000	49,998	60,000	-		**614,998**
Dr Moses Amoo		180,000	285,000	100,000	60,000	-	-	**625,000**
Mr David Rotich		180,000	285,000	97,434	60,000	-	-	**622,434**
Mr Peter Gathii		180,000	246,600	17,286	60,000	-	-	**503,886**
Ms Esther Njoroge		200,000	86,800	30,241	60,000	-	-	**377,041**
Mr Joseph Mbogo		700,000	284,400	7,807	138,300	-	50,150	**1,180,657**
Mr Isaac Odec		240,000	22,000	-	-	-	-	**262,000**
Mr Johnson Mwangi		480,000	32,000	183,800	78,300		37,840	**811,940**
PREVIOUS BOAD OF DIRECTORS								
Mr Francis Munywoki	783,000	420,000	221,600	-	78,300	117,403	39,860	**1,660,163**
Mrs Elizabeth Kamau		180,000	18,000	-	-	-	-	**198,000**
Mr Vincent Marube		500,000	915,000	200,000	78,300	117,403	27,290	**1,837,993**
Mrs Silvana Kaparo		440,000	783,400	220,000	78,300	117,403	30,465	**1,669,568**
Florence Hegarty		380,000	610,200	120,356	78,300	117,403	46,415	**1,352,674**
Mr Kagiri Kamatu		360,000	189,600	-	78,300	117,403	33,000	**778,303**
Mr Joseph Mwago		480,000	914,400	39,872	78,300	117,403	58,650	**1,688,625**
TOTAL	**1,033,333**	**5,720,000**	**5,793,400**	**1,214,253**	**1,166,400**	**704,418**	**323,670**	**15,955,474**

9. MANAGEMENT DISCUSSIONS AND ANALYSIS

This annual report captures the overall performance of the Council based on its key interventions and performance indicators in line with the performance contract. The report highlights the operational and financial performances, challenges in relation to performance management and major risks carried out during the year.

A. The Council's operational and financial performance

The Council continues to deliver on its key mandate of undertaking leather sector development and promotion of the leather value chain. The operations of the Council are based on the draft strategic plan 2022-2027 and the performance contract. Presented below are the discussion and analysis of Council performance for the period under review:

i) Financial Performance

The overall financial performance of the Council was more than optimal compared to previous financial year. There was significant increase in expenditure due to increase in operationalization of the Council as a result of placement of the key personnel. The Comparative analysis of revenue and expenditure in the last two years are as presented below:

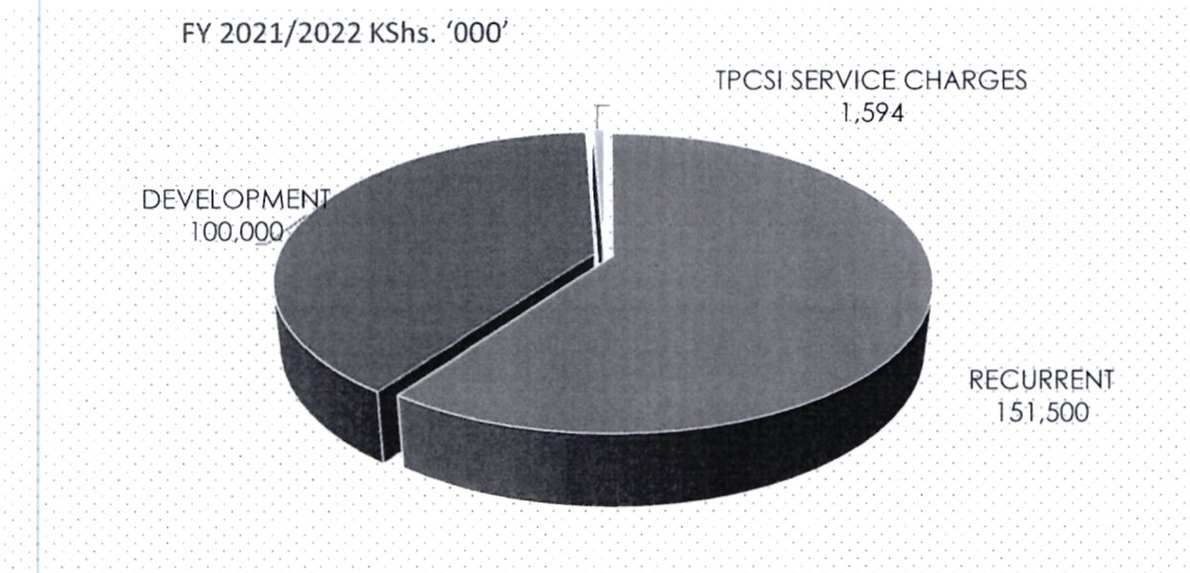


Figure 1.1: A graphical presentation showing income trends over the period 2021/2022

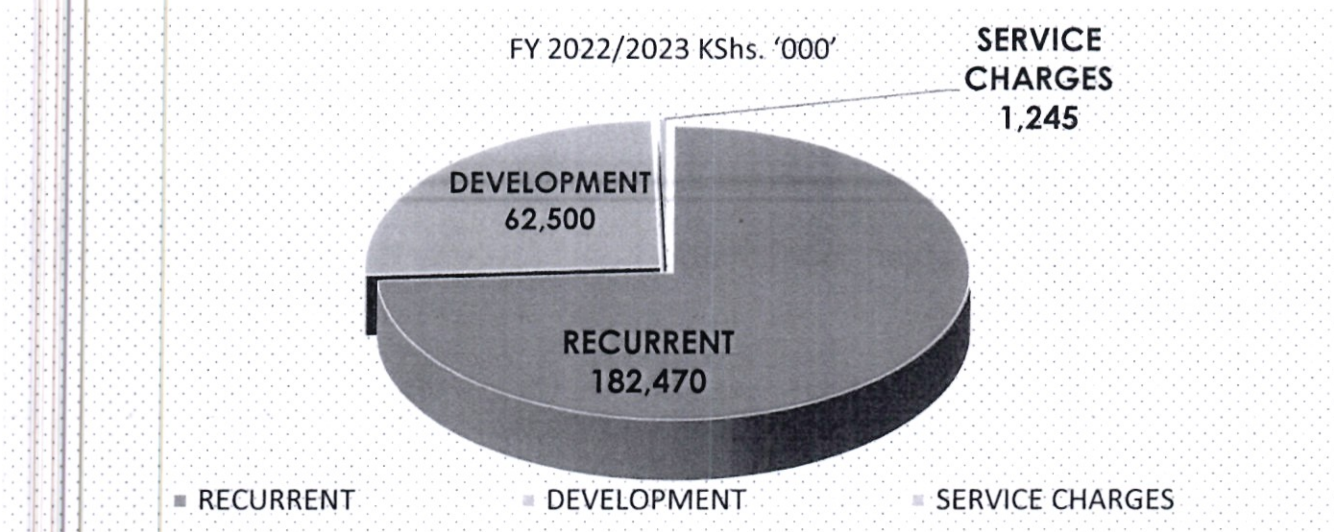


Figure 1.2: A graphical presentation showing income trends over the period 2022/20223

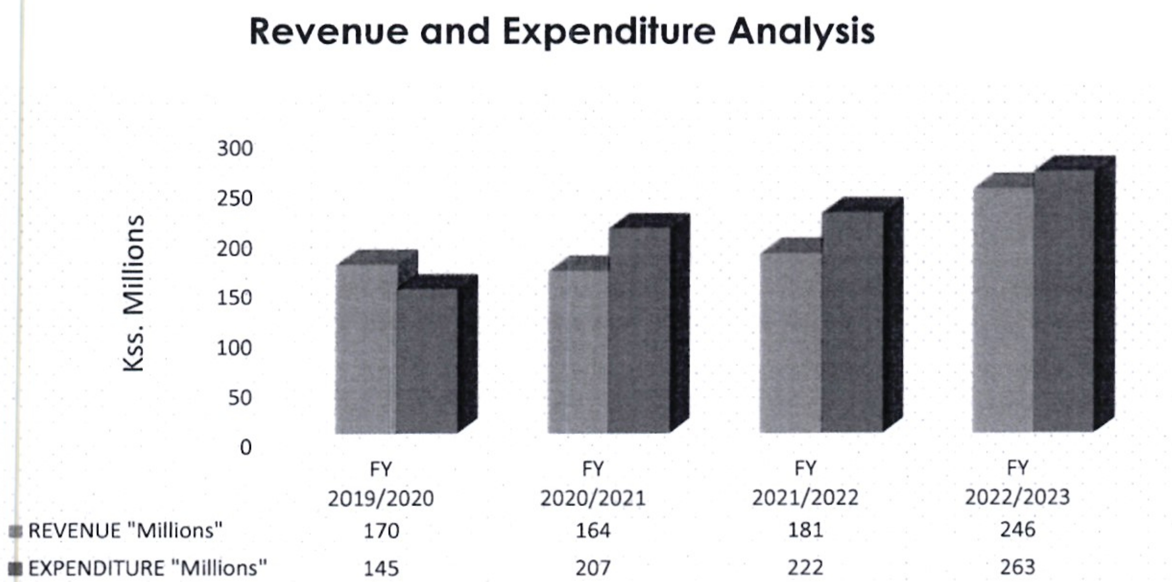


Figure 1.3: A graphical presentation showing revenue and expenditure trends over the period 2019 to 2022/23

During the period under review, a revenue of **Kshs.246.2 million** was received and raised against an expenditure of **Kshs. 263.5 million** resulting in an operational deficit of Kshs. 17.2 million including for outstanding payables.

ii) Operational Performance

The overall weighted aggregate performance score for Council in FY 2022/23 was 88% which is in the range of good. The summary of achievement is as presented in the figure 3 below:

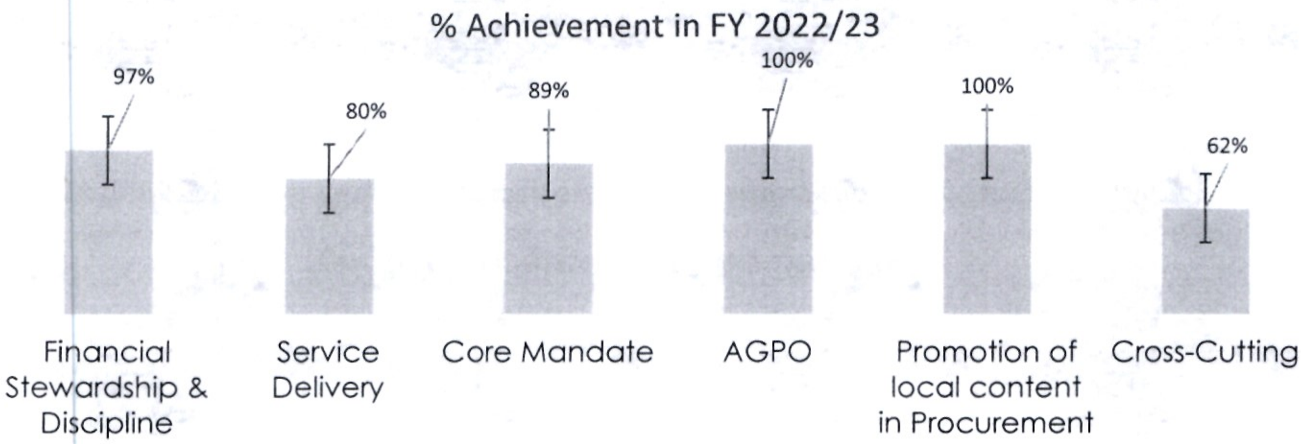


Figure 1.4: A graphical presentation of operational performance for FY 2022/23

It is important to note that there was an increase in operational performance in the year under review as compared to prior year of 57%. This can be attributed to the placement of new staff for service delivery. The performance could have been even more were it not for the disruption caused by the country-wide poor economic performance, national Budget cuts and post-election disruptions which resulted in, slow revenue flow, occasional delays of commencement of planned activities, minimal movement of people and goods affecting delivery services at the Council headquarters, TPCSI, Thika and Kariokor KCMF.

B. Council's compliance with statutory requirements

During the year under review, the Council complied with all its statutory obligations including compliance to public procurement regulations, remittance of P.A.Y.E, NHIF, NSSF, NITA and HELB within the stipulated deadlines. KLDC Board commits to implement internal control mechanisms in line with the Ethics and Anti-Corruption Commission Act No. 22 of 2011 and Leadership and Integrity Act of 2012. The Council does not foresee any potential for contingent liabilities arising from non-compliance with statutory obligations.

C. Key projects and investment decisions the Council is planning/implementing

The Council plans to continue implementing its projects as per the current draft Strategic Plan 2023-2027. This financial year, the Council is undertaking the following projects:

i) Kenya Leather Park

The Ministry of Investment Trade & Industry, Trade and Enterprise Development and the Ministry of Agriculture and Livestock Development through the Kenya Leather Development Council (KLDC) and Export Processing Zones Authority (EPZA), is developing Kenya's first Leather Park at Kinanie, Machakos County, to boost local production of leather and leather products.

The Park is situated on a 500-acre plot and will consist of various industries and services to promote the growth of the leather sector in the country. The ongoing works are at different levels of completion as shown below: -

- Fencing of the 500-acre Leather Industrial Park complete.
- Construction of Common Effluent Treatment Plant (10.5MLD, 2.5MLD and reticulation)-ongoing and 80% complete.
- Construction of industrial warehouses for tanneries and leather goods manufacture-ongoing and 84% complete.

The overall ongoing works is at 82% complete. Meanwhile, other government Enablers (Roads, Power, Water, ICT and Security) have been engaged to fast-track their contribution towards realization of the park.

ii) Kariokor Common Manufacturing Facility

The Kariokor Common Manufacturing facility houses over 200 stalls with over 6000 entrepreneurs/employees. It is a major producer of leather products (footwear and leather goods). To improve both the quantity and quality of the leather products, the Council in collaboration with the Nairobi County Government upgraded the cluster through provision of both production technology and skills development. With respect to the Council's objective for promotion of leather processing and product manufacturing, the Kariokor CMF which is expected to bolster local footwear and leather goods competitiveness is now operational.

The MOU between the Council and Nairobi City County Government is in existence. The Management Advisory Committee (MAC) for smooth implementation of the project was put in place. The three stakeholders (i.e the Council, the County Government and the beneficiaries) each appointed three (3) Members to the Committee. The facility was handed over to the Council and installation of the machinery ongoing.

iii) Upgrading of Training and Production Centre for Shoe Industry (TPCSI)

TPCSI is a training institute designed to support the development of the leather sector through skills development and common manufacturing facility. To achieve the objectives, the Centre is well equipped with both human resource and machinery. The Council had previously procured modern leather manufacturing equipment and machinery to enhance capacity building and offer common manufacturing facilities to MSMEs. The outcome of this effort is to create employment and improve micro-economic stability for citizens under the *BETA* Agenda. The upgrade is fully funded by the Government.

iv) **Replication of Common Manufacturing Model in the Counties**

KLDC is mapping other manufacturing clusters with the intention of replicating the Common Manufacturing model in the Counties. Some of the Counties identified for mapping include Nakuru, Malindi, Eldoret, Kisumu, Meru and Mombasa.

D. Major risks facing the Council and mitigation measures

i) **Financial risk** – insufficient funding is hampering delivery of the set targets. To mitigate this, the Council will implement Resource Mobilization Strategy through appeals to National Treasury and generate more income internally.

ii) **Legal/Compliance Risk** – The existing regulatory and policy framework. lacks sufficient enforcement backing (KLDC is on a legal notice). To mitigate this, the Council has developed the Kenya Leather Development Policy (already considered by Cabinet in March, 2023) and a draft KLDA bill which are currently at different stages of completion.

iii) **Information Security Risk** – The current manual system is prone to errors, inadvertent loss of data and cyber-attack that would adversely affect our brand identity and reputation. To mitigate this, The Council implemented and consequently commissioned on 27th June, 2023 Enterprise Resources Planning (ERP) to automate and house the processes and secure data.

iv) **Reputational Risk** – the Council brand identity is critical and failure to protect this would result in deterioration of our reputation and potential loss of businesses. To mitigate this, the Council continues to reinforce its value, policies and processes with its stakeholders, business partners and employees. The Council shall take robust action where necessary, to protect its trademarks, brand and reputation. The Council shall also be committed to development of communication strategy and stakeholder engagement programmes.

E. Material arrears in statutory/financial obligations

During the period under review, the Council has no any material arrears in statutory deductions or any historical pending bill.

F. The Council's financial probity and serious governance issues

The Audit Committee of the Board and the Auditor General regularly review the Council's internal control systems to ensure accuracy of financial reports, efficiency and effectiveness of operations and compliance to rules and regulations. In the FY 2022-2023, the Council strictly adhered to the code of ethics especially being honest in all financial matters including those relating to collections and its funding. The oversight bodies have not reported any financial improbity or any governance issues.

10. ENVIRONMENTAL AND SUSTAINABILTY REPORTING

The Council exists to transform lives through the mandate of driving the transformation of the leather value chain in the Country from a raw material/semi-processed export driven sector to a finished leather product manufacturing industry. The strategic objectives guide the Council to deliver on its mandate. Below are outlines of the Council's policies and activities that promote sustainability:

a) Sustainability strategy and profile

The Council is a state corporation established under the Kenya Leather Development Council Order, 2011 (Legal Notice No. 114 of 9th September, 2011) with its functions spelt out to drive the government's agenda on the development of leather industry. The Council espouses the principles relating to public finance, bill of rights, national values as well as principles of good governance, to the extent that they apply to Public Financial Management (PFM). KLDC plays a significant role in promoting and advancing accountability, development, service delivery and equity through its activities and policy recommendations. The Council was established to provide an objective and independent framework for regulation and facilitation of industry growth. To this end, the Council has managed to sustain its operations using the annual Exchequer allocations. Further, it supplements the GoK funding with its Internally generated income for services at TPCSI, Thika and Kariokor Common Manufacturing Facility (CMF) from time to time besides prioritizing expenditure on need basis and in line with its core mandate.

All over the world, overexploitation of natural resources required to achieve economic growth and development has had negative impacts on the environment while also causing these resources to become scarcer and costlier. Commitment to develop three quarters of Kenya's semi-arid land area to support beef ranching leads to increased livestock products. Value addition of these products impacts positively on economic and community social status. In Kenya, the meat processing plants are on the increase to support the meat value chain. The Council supports the development of hides, skins and leather value chain within the country.

b) Environmental Performance

Environmental performance at the Council is guided by the Environmental Management and Coordination Act, which informed the establishment of National Environmental Management Authority whose mandate is to support Institutions on environmental matters. The Council as a State Corporation complies with this Act and supports NEMA in meeting its core mandate. This is seen in the way the Council disposes waste as well as discourage the use of plastic bottles in its offices and working leather facilities.

KLDC supports and advocates for an enabling environment that supports industrialization and jobs creation in Kenya. Competitive and sustainable local manufacturing calls for adequate, reliable and affordable factors of production. These are anchored on its sustainable policies to ensure that it meets the needs of the current generation without jeopardizing the lives of future generations. The council's interventions in support to the private sector by developing infrastructures specifically Common Effluent Treatment Plant at the Kenya Leather Industrial Park is aimed to improve environmental performance in terms of efficiency in resource utilization, recycling and reduction of pollution, waste & emissions.

c) Employee welfare

The Council has a Human Resource Policy and Procedures Manual guiding recruitment and selection, terms and conditions of employment and retention strategies. The manual provides for affirmative action e.g age, gender, regional balances, ethnicity and persons living with disabilities. The Council promotes gender and disability mainstreaming, and handles staff grievances in line with the requirement of the manual. The Council also adheres to Article 234 (1) (g,h,i), (2) (b), of the Constitution, Section 5 (3 a and b) of the Employment Act 2007 and Section 36 (c) PSC Act 2017 guiding the hiring process.

The Council has a Performance Management Policy in place which details the appraisal, rewards and sanctions system. The Council also carries out a Training Needs Assessment every year and recommends staff for competency development. The Council is in compliance with Occupational Safety and Health Act of 2007, OSHA. In addition, the Council has a Group Personal Accident for all employees.

d) Market place practices

Marketplaces' most important value proposition is to deliver the quality demanded to providers and high-quality supply to buyers in the most efficient and effective manner. The COVID pandemic and the recent push for digitization of all government services has changed the normal marketing systems and caused shoppers to flock online. It's been an unprecedented opportunity for e-commerce brands, but it has not been without its challenges. One of the biggest and hardest to overcome is the growing importance of a brands' handling of customers' data and privacy.

i. Responsible competition practice

Kenya Leather Development Council procurement function has an established system of competitive and responsible business practices anchored on the Kenyan Constitution 2010, the Public Procurement and Asset Disposal Act 2015 and the Public Procurement and Asset Disposal Regulations 2020. The Council maintains a corrupt free, a non-political and competitive procurement system. Towards this end, the Council:

- Advertises for procurement opportunities through the print media (MyGov) and further publishes the available procurement opportunities in the Governments' public procurement information portal; **tenders.go.ke**, its website; **www.kldc.go.ke**, E-Citizen and noticeboards within the institution. Open tendering is the preferred method of major procurement opportunities in the Council.
- The Council enforces the requirement on preference and reservation schemes for the critical sectors of the society by offering at least 30% of procurement opportunities to the Youth, Women, Persons Living with Disabilities (PWDs) and marginalized suppliers though on an open and competitive process.
- The Enforcement of Local Content (Buy Kenya Build Kenya) purchases ensures that at least 40% of all procurement opportunities is allocated to local suppliers. This promotes competition for local goods and services and thus the growth of the local industry.
- Prequalification and registration of suppliers is done through open advertisement where all potential suppliers are given an opportunity to participate. The Council ensures that the qualified suppliers are registered in the various categories of suppliers. The list gives exclusive preference to the Youth, Women, PWDs and the marginalized groups for specific procurements to ensure inclusivity and equity. The prequalification list is published on the Council's website for openness and public information.
- To ensure that the pricing for goods, works and services are within the market trends, the Council conducts market surveys and further seeks professional advice from experts depending on the procurement needs.

ii. Responsible Supply Chain and Supplier Relations

The Council maintains a responsible supply chain and supplier relations through various interventions. These include:

- The Council makes prompt payment to its suppliers once the goods, services and works have been certified. There are no pending invoices from previous contracts.
- The Council at all times offers contracts and LPO(s)/LSO(s) to its suppliers to signify contractual obligation between the two parties. The Council has at no time breached any of its contractual obligations with its suppliers.
- The Council ensures that there is a cordial relationship with its suppliers through an open customer service line during working hours and a procurement email where suppliers engage the Council on procurement issues.

iii. Responsible marketing and advertisement

Kenya Leather Development (KLDC) ensures responsible marketing as an approach that ensures the MSME's are not only meeting customers' needs but also having a positive impact on them and the community they're part of. In Medium, Small and Micro Enterprises' (MSMEs') leather products, the Council maps them to get data on their particulars such as their contact details, the quality of their products and their production volume capabilities. KLDC then connects consumers with the mapped and approved MSMEs by placing product photos and contact details in their website.

iv. Product stewardship

KLDC promotes environmental management strategy by engaging its MSMEs on product after sales strategy such as whoever designs, produces, sells, or uses a product takes responsibility for minimizing the product's environmental impact throughout all stages of the products' life cycle, including end of life management. The greatest responsibility lies with whoever has the most ability to affect the full life cycle environmental impacts of the product.

6. REPORT OF THE BOARD OF THE COUNCIL

The Board of the Council submits its annual report together with the unaudited financial statements for the year ended June 30, 2023, which shows the state of the Council's affairs.

i) Principal activities

The principal mandate of the Council is to drive the transformation of the leather value chain in the Country from a raw material/semi-processed export driven sector to a finished leather product manufacturing industry. KLDC is therefore a key driver of the BETA Agenda under the Manufacturing pillar. The roadmap to this success is embedded on strategic objectives which specifically address the key challenges facing it. The strategic objectives are aligned to the Council's mandate. While the management carries out the day-to-day activities of the Council, the Board of Council is responsible for the policy direction and evaluation of the activities through the various committees and Board approvals.

ii) Results

The results of the Council for the year ended June 30, 2023 are set out on page 1

iii) The Board of Directors

The Appointment of the Board is in accordance with Section 4 of The Kenya Leather Development Council Order, 2011. The members of the Board of Council who served during the year are shown from pages vii to xi.

iv) Surplus Remission

The Council did not make any surplus during the FY 2022/23 and hence no remittance to the Consolidated Fund.

v) Auditors

The Auditor General is responsible for the statutory audit of the Council in accordance with the Section 16(2) of the Kenya Leather Development Council Order, 2011 and Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board of Directors

Ms. Carolyne Cheruiyot
Corporation Secretary/Head of Legal

7. STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 13, 14, 15, 16, 17 and 18 of The Kenya Leather Development Council Order, 2011, requires the Directors to prepare financial statements in respect of the Council, which gives a true and fair view of the Council at the end of the financial year and the operating results of the Council for the year ended 30th June, 2023.

The Directors' 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 Council;
(iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
(iv) Safeguarding the assets of the Council;
(v) Selecting and applying appropriate accounting policies; and
(vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accepts responsibility for the Council's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public-Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management (PFM) Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Council's financial statements give a true and fair view of the state of its transactions during the financial year ended June 30, 2023, and of the financial position as at that date. The Directors further confirm the completeness of the accounting records maintained, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the Financial Statements
The Council's financial statements were approved by the Board on 26/01/2024 and signed on its behalf by:

Dr. Issack M. Noor, PhD	**Capt. Mohamed M. Adan**
Chief Executive Officer	**Chairman of the Board**

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KENYA LEATHER DEVELOPMENT COUNCIL FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Leather Development Council set out on pages 1 to 31, which comprise of the statement of financial position for the year ended 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial statements of Kenya Leather Development Council for the year ended 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual) and comply with the Kenya Leather Development Council Order, 2011 and the Public Financial Management Act, 2012.

Basis for Qualified Opinion

1. Property, Plant and Equipment

1.1 Lack of Land Ownership Documents

The statement of financial position reflects property, plant, and equipment balance of Kshs.1,984,540,717 and as disclosed in Note 19 to the financial statements. However, and as previously reported, the balance includes land valued at Kshs.44,000,000 where the Training and Production Centre for Shoe Industry (TPCSI) is in Thika Town, which was acquired by the Council from Kenya Research and Development Institute (KIRDI). Review of the handing over report indicated that TPCSI campus was located on a 0.1096-hectare (0.271 acre) plot of land, as per the Trustee Deed made on 25 February,1994 and certificate of title issued on 25 April,1996. However, the ownership documents had not been transferred to the Council as at 30 June, 2023.

1.2 Fully Depreciated Assets

Note 19 to the financial statement on property, plant and machinery reflects nil netbook value in respect to plant and machinery. However, the plant and machinery are still in use and generate economic value for the Council but the same has not been revalued.

In the circumstances, the accuracy and completeness of Property plant and equipment balance of Kshs.1,984,540,717 could not be confirmed.

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.

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 matter described 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

Construction of Warehouse

The Council Management entered into a contract for construction of two industrial warehouses for tanneries of 5,000 sqm each at a contract sum of Kshs.694,931,420 on 11 March, 2021 for a contract period of one year (52 weeks). Physical verification of the site in the month of December, 2023 revealed that the works were not complete over two years later and no evidence of extension of project period was provided for audit.

In circumstances, delay in completion of the two industrial warehouses may result to cost overruns and the intended objective of the project may not be achieved.

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 that 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, except for the matter described in the basis for conclusion on effectiveness of internal controls, risk management and governance section of my report, 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

Board Members Appointment

Review of the board of the Council records revealed that the board members were appointed through gazette notices numbers 3898 dated 24 March, 2022, No. 4390 dated 3 April, 2023 and No. 4396 dated 24 May, 2023 for a term of five years. However, the board members are yet to be issued with appointment letters. The board members may therefore not clearly understand their terms of reference as well as roles and responsibilities. It was also not possible to establish formal acceptance of the appointment of the individual members.

Further, the term of all the board members lapses at almost the same time which may jeopardize the governance of the Council should the appointment of the next board delay and institutional memory may also not be maintained in the governance structure of the Council.

In the circumstances, there is possible governance problems due to poor or lack of perpetual succession planning of those entrusted with governance.

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.

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 Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as management determines is necessary to enable the preparation of financial statements that 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 Council's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Council or to cease its 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.

Those charged with governance are responsible for overseeing the Council'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 overall 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 that 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 that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that 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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of 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 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 that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to sustain its services. 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 Council to cease to continue to sustain its services.

- 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 that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Council to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that 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 that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 February, 2024

9.STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

Revenue	Notes	2022-2023 Kshs	2021-2022 Kshs
Revenue from non-exchange transactions			
G.o.K Grant -Recurrent	6(a)	182,470,000	151,500,000
G.o.K Grant -Development	6(b)	62,500,000	100,000,000
Total		**244,970,000**	**251,500,000**
Revenue from exchange transactions			
Sundry Income: Services fee and other incomes	7	1,244,687	1,594,069
Total Revenue		**246,214,687**	**253,094,069**
Expenses			
Use of Goods and Services	8	53,450,547	54,451,665
Employee Costs	9	107,191,886	107,794,728
Board Expenses	10	15,955,474	11,143,153
Depreciation and Amortization	11	18,620,573	14,351,726
Repairs and Maintenance	12	954,908	979,908
Finance Cost	13	80,559	52,367
Operating Expenses Relating to Core Mandate	14	5,707,970	4,050,940
Total Expenses		**201,961,917**	**192,824,487**
Surplus/(Deficit) before Tax		**44,252,770**	**60,269,582**
Taxation		-	-
Surplus/(Deficit) for the Period		**44,252,770**	**60,269,582**

The notes set out on pages 6 to 30 form an integral part of these financial statement.

The financial statements set out on page 1 to 5 were signed on behalf of the Board of Directors by:

Dr. Issack M. Noor, PhD	**CPA Albert Ariku**	**Capt. Mohamed A. Adan**
Chief Executive Officer	**Manager, Finance & Accounts**	**Chairman**
	ICPAK No.5280	

10. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

ASSET	Notes	2022-2023 Kshs	2021-2022 Kshs
Current Assets			
Cash and Cash Equivalents	15	170,393,605	176,953,364
Receivables from exchange transactions	16	477,299	5,729,826
Receivables from non-exchange transactions	17	197,493,742	239,099,721
Inventories	18	9,089,910	9,028,490
Total Current Assets		**377,454,556**	**430,811,401**
Non-Current Assets			
Property,Plant and Equipment	19	1,984,540,717	1,875,662,877
Intangible Assets	20	12,449,094	8,619,681
Total Non- Current Assets		**1,996,989,811**	**1,884,282,557**
Total Assets		**2,374,444,367**	**2,315,093,958**
LIABILITIES			
Current Liabilities			
Trade and Other Payables from exchange	21	831,633	464,000
Contractors Retention Funds	22	157,365,206	152,016,000
Total		**158,196,839**	**152,480,000**
Non-Current Liabilities		-	-
Long term Borrowings		-	-
Non-Current Employee Benefits Oblifgations		-	-
Total Liabilities		**158,196,839**	**152,480,000**
RESERVES			
Capital Reserve		1,879,490,664	1,879,490,664
Revenue Reserve		278,300,048	234,241,478
Revaluation Reserve		58,456,816	48,881,816
Total Reserves		**2,216,247,528**	**2,162,613,958**
Total Reserves & Liabilities		**2,374,444,367**	**2,315,093,958**

The financial statements set out on page 1 to 5 were signed on behalf of the Board of Directors by:

Dr. Issack M. Noor, PhD	**CPA Albert Ariku**	**Capt. Mohamed A. Adan**
Chief Executive Officer	**Manager, Finance & Accounts**	**Chairman**
	ICPAK No.5280	

11. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

	Revenue Reserve	Capital Reserve	Revaluation Reserve	Total
As at 30 June 2021	**173,971,896**	**1,879,490,664**	**48,881,816**	**2,102,344,376**
Surplus/(deficit) for the period	60,269,582	-	-	60,269,582
Transfers to Revaluation reserves	-	-	-	-
Transfer of depreciation on revaluation	-	-	-	-
Capital grants received during the year	-	-	-	-
As at 30 June 2022	**234,241,478**	**1,879,490,664**	**48,881,816**	**2,162,613,958**
Surplus/(deficit) for the period	44,252,770	-	-	44,252,770
Transfers to Revaluation reserves	-	-	9,575,000	9,575,000
Transfer of depreciation on revaluation	-	-	-	-
Capital grants received during the year	-	-	-	-
As at 30 June 2023	**278,300,048**	**1,879,490,664**	**58,456,816**	**2,216,441,728**

Note:

i) Revenue Reserve
This represents the net worth of the Council for the period ended 30th June, 2023 and forms the retained earnings.

ii) Capital Reserve
This represents the net worth of the Council for the period ended 30th June, 2023 and forms the Capital Reserve.

iii) Revaluation Reserve
This represents the net worth of the Council for the period ended 30th June, 2023 and forms the revaluation gain on assets during the year.

12. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

Cash Flows from operating Activities		2022-2023	2021-2022
Receipt		Kshs	Kshs
Government Grants	6(a)	182,470,000	196,882,500
Sundry Income: Services fee at TPCSI	7	1,244,687	1,594,069
Total Receipts		**183,714,687**	**198,476,569**
Board Expenses	10	15,955,474	11,143,153
Repairs and maintenance	12	954,908	979,908
Finance Cost	13	80,559	52,367
Operating Expenses Relating to Core Mandate	14	5,707,970	4,050,940
Employee costs	23	106,999,253	107,794,728
Use of Goods and Services	24	48,278,640	77,217,746
Total Payments		**177,976,805**	**201,238,842**
Net Cash Flows from Operating Activities		**5,737,882**	**(2,762,273)**
Cash Flows from Investing Activities			
Purchase of Property,Plant,Equipment	25	(71,429,954)	(596,522,818)
Purchase of Intangible Assets	20	(3,367,688)	(8,661,031)
Net Cash Flows Used in Investing Activities		**(74,797,642)**	**(605,183,849)**
Cash flows from financing activities			
Capital Grants	6(b)	62,500,000	100,000,000
Net cash flows used in financing activities		**62,500,000**	**100,000,000**
Net Increase/(Decrease) in Cash and Cash Equivalents		**(6,559,759)**	**(507,946,122)**
Cash and Cash Equivalent at 1 July 2022		176,953,364	684,899,486
Cash and Cash Equivalent as at 30 June 2023		**170,393,605**	**176,953,364**

Note:
The Cash flow statement is prepared on the actual receipts and payments, hence excludes any accrued amount.

The financial statements set out on page 1 to 5 were signed on behalf of the Board of Directors by:

Dr. Issack M. Noor, PhD Chief Executive Officer	CPA Albert Ariku Manager, Finance & Accounts ICPAK No.5280	Capt. Mohamed A. Adan Chairman

13. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

	Original budge	Adjustments	Final budget	Actual on comparable basis	Performance difference	Absorption Rate (%)	Notes to material variances
	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs		
Recurrent Capitation	186,780,000	(4,310,000)	182,470,000	182,470,000	-	100%	(a)
Development Capitation	250,000,000	(187,500,000)	62,500,000	62,500,000	-	100%	(b)
Other Income	1,720,000	-	1,720,000	1,244,687	(475,313)	72%	(c)
Grants Balances from Previous Year FY 2021/22	-	24,637,900	24,637,900	24,637,900			
Total income	**438,500,000**	**(167,172,100)**	**271,327,900**	**270,852,587**	**(475,313)**	**100%**	
Recurrent Expenditure							
Employee Costs	116,783,756	(8,800,000)	107,983,756	107,191,886	791,870	99%	
Board Expenses	10,204,000	7,640,578	17,844,578	15,955,474	1,889,104	89%	
Use of Goods & Services	52,721,244	2,192,243	54,913,487	53,531,106	1,382,381	97%	
Operating Expenses Relating to Core Mandate	7,500,000	(1,500,000)	6,000,000	5,707,970	292,030	95%	
Repairs and Maintenance	1,291,000	-	1,291,000	954,908	336,092	74%	
Sub-Total	**188,500,000**	**- 467,179**	**188,032,821**	**183,341,344**	**4,691,477**	**98%**	
Development Expenditure							
Project Administrative Expenses	19,500,000	7,540,834	27,040,834	26,958,969	81,865	100%	
Kariokor Cluster Project	6,000,000	(2,060,000)	3,940,000	1,106,537	2,833,463	28%	(d)
Revitilization of TPCSI	7,000,000	(3,650,000)	3,350,000	3,205,977	144,023	96%	
Development of Kenya Leather Park	217,500,000	(168,535,755)	48,964,245	48,930,285	33,960	100%	
Sub-Total	**250,000,000**	**- 166,704,921**	**83,295,079**	**80,201,768**	**3,093,311**	**96%**	
Total Expenditure	**438,500,000**	**(167,172,100)**	**271,327,900**	**263,543,112**	**7,784,788**	**97%**	
Surplus/(Deficit) for the period			**-**	**7,309,475**	**-8,260,101**		

Explanation of material variance

a) **Recurrent Capitation** – The adjustment is as a result of government supplementary budget cuts in the 3rd Quarter and hence carry-over of some activities to the financial year under review.

b) **Development Capitation** – The adjustment is as a result of government supplementary budget cuts in the 3rd Quarter and balance brought forward from previous year for the ongoing project works.

c) **Other incomes**- The under-collection is unfavourable due to poor economic performance leading to low uptake of services.

d) **Kariokor Cluster Project**- The variance is favourable due to delay in operationalization of the facility as a result of ongoing installation of machineries by the Contractor.

14. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

KLDC is established by and derives its authority and accountability from State Corporations Act (CAP 446, Legal Notice No.114 of 9th September 2011). The entity is wholly owned by the Government of Kenya and domiciled in Kenya. The entity's principal mandate o is to drive the transformation of the leather value chain in the Country from a raw material/semi-processed export driven sector to a finished leather product manufacturing industry.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Council's financial statements have been prepared based on historical cost, unless stated otherwise. The preparation of financial statements is in conformity with International Public-Sector Accounting Standards (IPSAS) that allows the use of estimates and assumptions. The areas involving a higher degree of judgement or complexity or where assumptions and estimates are significant to the financial statements, are disclosed under note 5 of these financial statements. The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Council. The accounting policies have been consistently applied to all the years presented. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis in accordance with IPSAS and PFM Act

3. ADOPTION OF NEW AND REVISED STANDARDS

New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 43	**Applicable 1st January 2025** The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale	**Applicable 1st January 2025** The Standard requires,

Standard	Effective date and impact:
and Discontinued Operations	Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

iii. **Early adoption of standards**

The Council did not adopt any new or amended standard in the year 2022/23

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

i) Revenue from Non-Exchange Transactions

Transfers from other government entities

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

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

The Council's policy is to recognize the development fund used for project implementation to the statement of financial performance and the surplus to the statement of changes in net assets under revenue reserve and subsequently to statement of financial position. Project administrative expenses are fully capitalized and recognized to the statement of financial position.

ii) Revenue from Exchange Transactions

Rendering of Services

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

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expense incurred are recoverable. The Council recognizes the revenue from rendering of services as an internally generated income in statement of financial performance.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's

NOTES TO THE FINANCIAL STATEMENTS (Continued)

net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period. Council shall recognise any interest earned on accrual basis in the statement of financial performance and cash flow statement.

b) Budget information

The original budget for FY 2022-2023 was recommended by National Treasury on 30th June, 2022 and approved by the Board of Directors on 8th July, 2022 and subsequently by the state Department of Livestock. Consequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

a) Taxes

Corporation tax

The Council is exempted from the payment of corporation tax as stipulated in section 219 (3) of the PFM Act regulation 2015. However, the Council complies with all other statutory obligations like the PAYE and withholding taxes.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable

ii) When receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Council recognises expenses and assets at gross value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Investment property

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

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

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

c) Property, Plant and Equipment

All Property, Plant and Equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly and indirectly attributable to the acquisition of the items. When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the Council recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the Plant and Equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

The Council adopts a straight-line depreciation policy as follows;

Motor Vehicles	25%
Computers	30%
Furniture, Fittings and Equipment	12.5%
Plant and Machinery	33.3%
Building	2%

Free hold land and Capital work in progress are not depreciated. Depreciation of work in progress shall commences when the assets are ready for their intended use.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

d) Leases

Finance leases

Finance leases are leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Council. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Council also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Council will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.
The Council has a six (6) years leases with CPA Centre whereby we pay rent on quarterly basis. The rights of ownership have not been conveyed to the Kenya Leather Development Council.

e) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is finite and intangible assets are amortized at 25% per annum on straight-line basis. The intangible assets recognized in the Councils books relate to software's and brandings.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

f) **Research and Development costs**

The Council expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Council can demonstrate:

i) The technical feasibility of completing the asset so that the asset will be available for use or sale
ii) Its intention to complete and its ability to use or sell the asset
iii) How the asset will generate future economic benefits or service potential
iv) The availability of resources to complete the asset
v) The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

g) **Financial instruments**

a) **Financial assets**

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Impairment of financial assets

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

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

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Council determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The intangible assets are amortized at 25% of the initial cost.

h) Inventories

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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

i) Provisions

Provisions are recognized when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Council expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

j) Contingent liabilities

The Council does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. In the year under review there were no any contingent liabilities.

k) Contingent assets

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

the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

l) Nature and purpose of reserves

Reserves are created and maintained in terms of specific requirements. The Council's capital and revenue reserves are maintained for purpose of development projects, contingent liabilities and capital commitments that become payable. Revaluation Reserves are the changes in fixed assets since last revaluation in 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

m) Changes in accounting policies and estimates

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

n) Employee benefits

Retirement benefit plans

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

The Council operates a defined contribution and defined benefit scheme for its employees. The defined contribution scheme is administered by a trustee and is funded from contribution from both the employee and employer at 7.5% and 15% of the basic salary respectively. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

o) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise. Currently there are no foreign exchange transactions done.

p) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

q) Related parties

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

directors, the CEO, divisional directors, senior managers and head of various departments within the Council.

r) **Service concession arrangements**

The Council analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Council recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value.

To the extent that an asset has been recognized, the Council also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

s) **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. It is the policy of the Council to disclose the financial institutions where such amounts are held.

t) **Comparative figures**

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

u) **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, 2023.

4. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Council based its assumptions and estimates on parameters available when the

NOTES TO THE FINANCIAL STATEMENTS (Continued)

consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond Control of the Council. Such changes are reflected in the assumptions when they occur (IPSAS 1.140)

Useful lives and residual values

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

a) The condition of the asset based on the assessment of experts employed by the Council
b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
c) Availability of funding to replace the asset
d) The nature of the processes in which the asset is deployed
e) Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 22. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. The only provision disclosed is on audit fees, which is specific.

Project administrative Expenses

The Council's policy is to recognize the whole GoK Grant relating to capital project under development vote to the statement of financial performance and the surplus realized to the statement of changes in net assets under revenue reserve. During the financial year under review an amount of Kshs. 62,500,000 relating to development income was fully recognized in line with this policy and subsequently to statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. GOVERNMENT GRANTS AND CAPITATION

a) RECURRENT GRANTS

Qtr	Month	Description	2022-2023 Kshs	2021-2022 Kshs
1st	Sep-22	Quarterly Capitation	46,625,000	25,250,000
2nd	Dec-22	Quarterly Capitation	46,625,000	37,875,000
3rd	Mar-23	Quarterly Capitation	42,595,000	37,875,000
	Apr-22	Quarterly Capitation	-	37,875,000
4th	Jun-23	Quarterly Capitation	46,625,000	12,625,000
		Total	**182,470,000**	**151,500,000**

b) G.O.K GRANT-DEVELOPMENT

Period	Month Received	Description	2022-2023 Kshs	2021-2022 Kshs
2nd	Dec-22	Development Grants	62,500,000	50,000,000
	May-22	Development Grants	-	50,000,000
		Total	**62,500,000**	**100,000,000**

6. RENDERING OF SERVICES

Description	2022-2023 Kshs	2021-2022 Kshs
Services fee at TPCSI	863,000	1,594,069
Fees for Services at Kariokor CMF	217,467	-
Other income	164,220	-
Sub-Total	**1,244,687**	**1,594,069**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. USE OF GOODS AND SERVICES

Description	2022-2023 Kshs	2021-2022 Kshs
Electricity	1,199,983	1,134,856
Water	60,064	37,365
Courier and Postage	18,910	28,360
Daily Subsistencce Allowance	5,275,930	7,923,702
Printing and Stationeries	1,471,150	1,873,154
Newspaper Subscription	273,820	233,460
Advertisement, Awareness & Publicity	410,090	205,045
Office Rent	20,687,626	21,044,451
Training Expenses	403,680	633,160
Medical Insurance	13,053,716	11,504,859
Hospitality, Supplies and Services	3,506,353	1,380,022
Consultancy Services	-	1,445,909
Motor Vehicle Insurance	369,571	457,048
General Office Supplies	349,782	74,669
Security Guard Services	2,610,980	2,236,944
Sanitary & Cleaning Services	1,731,324	1,731,325
Motor Vehicle Fuel and Oil	769,700	1,080,272
Subscription & Membership fees	78,400	132,460
Audit Fees	464,000	464,000
Internet Connections	715,468	690,604
Corporate Social Responsibility	-	100,000
Strategic Plan, Business Plan & ISO Certification	-	40,000
Total	**53,450,547**	**54,451,665**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. EMPLOYEE COSTS

Description	2022-2023 Kshs	2021-2022 Kshs
Basic Salaries	61,626,810	59,006,410
House Allowance	19,764,709	19,660,320
Commuter Allowance	8,323,034	8,332,886
Leave Allowance	4,803,256	4,657,083
Other Remunerative Allowance	1,602,847	867,053
Pension & NSSF Employer Contribution	11,071,231	15,270,976
Total	**107,191,886**	**107,794,728**

9. BOARD EXPENSES

Description	2022-2023 Kshs	2021-2022 Kshs
Chairman's Honoraria	1,033,333	768,742
Sitting Allowances	5,720,000	4,067,500
Daily Subsistence, Travelling & Accommodation Allowance	6,117,070	3,394,280
Millage Allowance	1,214,253	555,705
Training expenses	1,166,400	382,800
Medical Insurance	704,418	670,096
Other board expenses	-	1,304,030
Total	**15,955,474**	**11,143,153**

10. DEPRECIATION AND AMORTIZATION

Description	2022-2023 Kshs	2021-2022 Kshs
Buildings	2,161,151	2,161,151
Furniture and Fittings	10,612,165	10,936,437
Motor Vehicle	2,393,750	-
Computer and Printers	2,804,608	900,151
Intangible Asset	648,900	353,988
Total	**18,620,573**	**14,351,726**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. REPAIRS AND MAINTENANCE

Description	2022-2023 Kshs	2021-2022 Kshs
Motor Vehicle Maintenance	579,701	602,289
Maintenance of office furniture & equipment	231,450	208,400
Maintenance of Comps, Software and Internet	143,757	169,219
Total	**954,908**	**979,908**

12. Finance Costs

Description	2022-2023 Kshs	2021-2022 Kshs
Bank Changes	80,559	52,367
Total	**80,559**	**52,367**

13. OPERATING EXPENSES RELATING TO CORE MANDATE

Description	2022-2023 Kshs	2021-2022 Kshs
Hides & Skin Quality Improvement Programme	2,246,105	1,366,540
Capacity Building for Sector Stakeholders	1,603,285	1,353,760
Promotion & Marketing	1,858,580	1,330,640
Total	**5,707,970**	**4,050,940**

14. CASH AND CASH EQUIVALENTS

Description	2022-2023 Kshs	2021-2022 Kshs
Current Account	170,388,788	176,905,017
Cash in Hand	4,817	48,347
Total	**170,393,605**	**176,953,364**

a) Current account

Financial institution		
KCB Recurrent Account	8,495,415	3,794,474
KCB Development Account	3,441,501	20,795,079
KCB Deposit Account	158,451,872	152,315,464
Total	**170,388,788**	**176,905,017**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2022-2023 Kshs	2021-2022 Kshs
Prepayments		
Fuel	112,440	416,546
Motor Vehicle Insurance	189,859	141,373
Salary Advances - staff	175,000	-
Office Rent	-	5,171,907
Total	**477,299**	**5,729,826**

16. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Description	2022-2023 Kshs	2021-2022 Kshs
Kenya Leather Park Advance Payments	197,493,742	239,099,721
Total	**197,493,742**	**239,099,721**

17. INVENTORIES

Description	2022-2023 Kshs	2021-2022 Kshs
General office stationeries	3,554,121	2,229,759
ICT Consumables	1,614,740	4,834,335
Detergents, Disinfectant & Soaps	452,850	506,208
Technical Materials	1,165,061	788,635
Production Materials	2,303,139	669,553
Total	**9,089,910**	**9,028,490**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. PROPERTY, PLANT AND EQUIPMENT

	Land®	Building	Motor vehicles ®	Furniture, fittings & Equipments	Computers ®, Copiers & Printers	Plant & Machinery	Capital Work In Progress	Total
Cost			KShs	KShs	KShs	KShs	KShs	KShs
As at 30 June 2021	**44,000,000**	**108,057,543**	**31,166,392**	**86,960,578**	**21,495,831**	**101,048,816**	**750,605,230**	**1,143,334,390**
Additions	-		-	530,914	3,000,502	-	927,252,204	930,783,62
Transfers/adjustments	-	-	-	-	-	-	-	-
Revaluation Gain	-	-	-	-	-	-	-	-
As at 30 June 2022	**44,000,000**	**108,057,543**	**31,166,392**	**87,491,492**	**24,496,333**	**101,048,816**	**1,677,857,433**	**2,074,118,009**
Additions	-		-	664,714	5,735,000		110,874,800	117,274,51
Transfers/adjustments	-	-	-	-	-	-	-	-
Revaluation Gain	-	-	9,575,000	-	-	-	-	9,575,00
As at 30 June 2023	**44,000,000**	**108,057,543**	**40,741,392**	**88,156,206**	**30,231,333**	**101,048,816**	**1,788,732,233**	**2,200,967,523**
Depreciation and impairment								
Depreciation as at 30.06.2021	-	**4,322,302**	**31,166,392**	**26,424,054**	**21,495,831**	**101,048,816**	-	**184,457,39**
Depreciation/Amortization for the year		2,161,151	-	10,936,437	900,151	-		13,997,73
Depreciation as at 30.06.2022	-	**6,483,453**	**31,166,392**	**37,360,490**	**22,395,982**	**101,048,816**	-	**198,455,13**
Depreciation/Amortization for the year		2,161,151	2,393,750	10,612,165	2,804,608	-		17,971,67
Depreciation as at 30.06.2023	-	**8,644,604**	**33,560,142**	**47,972,655**	**25,200,589**	**101,048,816**	-	**216,426,80**
NET BOOK VALUES								
As at 30 June 2021	44,000,000	103,735,241	-	60,536,524	-	-	750,605,230	**958,876,99**
As at 30 June 2022	44,000,000	101,574,090	-	50,131,002	2,100,351	-	1,677,857,433	**1,875,662,87**
As at 30 June 2023	44,000,000	99,412,939	7,181,250	40,183,551	5,030,744	-	1,788,732,233	**1,984,540,71**

Note:

i). The Council carried out valuation of all its motor vehicles during the year 2022/2023. The reported revaluation gain for this class will be depreciated at 25%. Next valuation can be done after three years in line with IPSAS 17 and hence the NBV for FY 2022/2023 forms the depreciation value for the year under review.

ii). The Plant and Machinery is also fully depreciated and valuation shall be in the next financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. INTANGIBLE ASSETS

COST/VALUATION	Software	Branding	WIP	Total
As at 30 June 2021	**562,600**	**241,850**		**804,450**
Additions	728,000	-	7,933,031	8,661,031
As at 30 June 2022	**1,290,600**	**241,850**	**7,933,031**	**9,465,481**
Additions	1,305,000	-	3,173,313	4,478,313
As at 30 June 2023	**2,595,600**	**241,850**	**11,106,344**	**13,943,794**
Amortization & IMPAIRMENT				
Depreciation as at 30.06.2021	**281,300**	**210,512**		**491,813**
Amortization for the year	322,650	31,338	-	353,988
Depreciation as at 30.06.2022	**603,950**	**241,850**	**-**	**845,800**
Amortization for the year	648,900	-	-	648,900
Depreciation as at 30.06.2023	**1,252,850**	**241,850**	**-**	**1,494,700**
NET BOOK VALUES				
As at 30 June 2021	281,300	31,338	-	312,637
As at 30 June 2022	686,650	-	7,933,031	**8,619,681**
As at 30 June 2023	1,342,750	-	11,106,344	**12,449,094**

20. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2022-2023 Kshs	2021-2022 Kshs
Audit Fees	464,000	464,000
Staff Pension	367,633	-
Total	**831,633**	**464,000**

21. CONTRACTORS RETENTION FUNDS

Description	2022-2023 Kshs	2021-2022 Kshs
Kenya Leather Park	156,254,581	152,016,000
Intangible Assets	1,110,625	-
Total	**157,365,206**	**152,016,000**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. EMPLOYEE COSTS (Cashflow)

Description	2022-2023 Kshs	2021-2022 Kshs
Basic Salaries	61,434,177	59,006,410
House Allowance	19,764,709	19,660,320
Commuter Allowance	8,323,034	8,332,886
Leave Allowance	4,803,256	4,657,083
Other Remunerative Allowance	1,602,847	867,053
Pension & NSSF Employer Contribution	11,071,231	15,270,976
Total	**106,999,253**	**107,794,728**

Note: The difference in the figure of Employee costs under statement of financial performance and cashflow statement is as a result of payable staff pension of Kshs. 367,633 and prepaid staff salary advances of Kshs 175,000 as at year end.

23. USE OF GOODS AND SERVICES (Cashflow)

Description	2022-2023 Kshs	2021-2022 Kshs
Electricity	1,199,983	1,134,85
Water	60,064	37,365
Courier and Postage	18,910	28,360
Daily Subsistencce Allowance	5,275,930	7,923,70
Printing and Stationeries	1,471,150	3,718,304
Newspaper Subscription	273,820	233,460
Advertisement, Awareness & Publicity	410,090	205,04
Office Rent	15,515,719	26,216,35
Training Expenses	403,680	633,160
Medical Insurance	13,053,716	11,504,85
Hospitality, Supplies and Services	3,506,353	1,380,02
Consultancy Services	-	1,445,909
Motor Vehicle Insurance	369,571	507,03
General Office Supplies	349,782	2,957,71
Security Guard Services	2,610,980	2,236,944
Sanitary & Cleaning Services	1,731,324	1,731,32
Motor Vehicle Fuel and Oil	769,700	960,00
Subscription & Membership fees	78,400	132,460
Audit Fees	464,000	928,000
Internet Connections	715,468	690,60
Corporate Social Responsibility	-	100,000
Strategic Plan, Business Plan & ISO Certification	-	40,000
Release of Pension	.	4,090,13
Release of Retention	-	8,382,12
Total	**48,278,640**	**77,217,746**

Note: The difference in figure of use of goods and services under statement of financial performance and cashflow statement is as a result of inclusion of prepayment of Kshs 5,171,906 during FY 2021/22.

24. Purchase of Property Plant and Equipment: Additions

Description	2022-2023 Kshs	2021-2022 Kshs
Property Plant and equipment: Additions	(117,274,514)	(665,127,023)
Less: Recoveries for the period	(41,605,979)	-
Less: Retention for the period	(4,238,581)	(68,604,205)
Total	**(71,429,954)**	**(596,522,818)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Financial Risk Management

The Council's activities expose it to a variety of financial risks including credit and liquidity risks. The Council'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 Council does not hedge any risks and has in place policies to ensure that these risks are minimised. The Council's financial risk management objectives and policies are detailed below:

i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board to the Council who have built an appropriate liquidity risk management framework for the management of the Council's short, medium and long-term funding and liquidity management requirements. The Council manages liquidity risk through continuous monitoring of forecasts and actual cash flows. Insufficient budgetary allocations are a major risk as liabilities will not be settled as scheduled.

	Less than 1 month Kshs'000'	Between 1-5 months Kshs'000'	Over 5 months Kshs'000'	Total Kshs'000'
At 30 June 2023				
Trade payables	-	832	-	**832**
Provisions	-	464	-	**464**
Deferred income	-	-	-	**-**
Employee benefit obligation	-	-	-	**-**
Total	**-**	**1,296**	**-**	**1,296**
At 30 June 2022				
Trade payables	-	-	-	**-**
Provisions	-	464	-	**464**
Deferred income	-	-	-	**-**
Employee benefit obligation	-	-	-	**-**
Total	**-**	**464**	**-**	**464**

ii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Council on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Council's income or its purchasing power. The objective of market risk management is to manage and control market risk exposures within acceptable

NOTES TO THE FINANCIAL STATEMENTS (Continued)

parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.
The Council's Internal Audit Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.
There has been no change to the Council's exposure to market risks or the manner in which it manages and measures the risk.

iii) Foreign currency risk
The Council does not engage in foreign currency transactions and therefore no transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency.

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

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

Fair value of financial assets and liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Level 1	Level 2	Level 3	Total
At 30 June 2023				
Quoted equity investments	-	-	-	-
Non- financial Assets	-	-	-	-
Investment property	-	-	-	-
Land & Building	-	143,412,939	-	143,412,939
Total	-	**143,412,939**	-	**143,412,939**
At 30 June 2022				
Quoted equity investments	-	-	-	-
Non- financial Assets	-	-	-	-
Investment property	-	-	-	-
Land & Building	-	145,574,090	-	145,574,090
Total	-	**145,574,090**	-	**145,574,090**

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

v) Capital Risk Management

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

	2022-2023	2021-2022
Revaluation reserve	58,456,816	48,881,816
Revenue Reserve	278,549,168	234,241,478
Capital reserve	1,879,490,664	1,879,490,664
Total funds	**2,216,496,648**	**2,162,613,958**
Total borrowings	-	-
Less: cash and bank balances	170,393,605	176,953,364
Net debt/(excess cash and cash equivalents)	(170,393,605)	(176,953,364)
Gearing	**0%**	**0%**

26. Related Party Transactions

a) Nature of related party relationships

i) Entities and other parties related to the Council 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 Council is related to Key Management.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii) The National Government;
iii) The Parent Ministry: Ministry of Agriculture and Livestock Development
iv) Board Members
v) Export Processing Zones Authority (EPZA)
vi) Nairobi City County Government (NCCG)

b) Related party transfers

There were no transfers made to/and from the top management staff.

c) Due from related parties

There were no dues from the top management or from the council members during the year under review.

d) Due to related parties

There were no dues to and from ministries or other departments during the period under review.

27. Segment information

The Council operates with County Governments and specifically in the proximity of Nairobi and does have branches in Thika and Kariokor. Hence IPSAS 18 on segment reporting is not applicable

28. Contingent assets and contingent liabilities

At the close of business on 30th June, 2023, the Council did not have any contingent asset or liability.

29. Capital Commitments

At the close of business on 30th June 2023, the Council did not have any capital commitments.

30. Events after the reporting period

There was no material adjusting events after the reporting period.

31. Ultimate and Holding Council

The Council is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Agriculture and Livestock Development; State Department of Livestock Development. Its ultimate parent is the Government of Kenya.

32. The Reporting Currency

The financial statements are presented in Kenya Shillings (Kshs).

APPENDIX I: Implementation Status of Auditor-General's 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.	Issue / Observations from Auditor	Management comments	Focal Point person	Status	Time frame
1.	**FY 2019/2020** **Property, Plant and Equipment** Land title deed at TPCSI not yet transferred to Council though several correspondences made	TPCSI land had a title deed in the name of the original trustees. The process of transferring to the Government is ongoing as evidenced by our numerous communications with Kenya Association of Manufacturers (KAM) as attached.	CEO	Not Resolved	**FY 2023/24**
2.	**Construction of Modern Common Effluent Treatment Plant at Kenya Leather Park - Kenanie, Machakos Country** Lack of final agreement after the redesigning of the project. It is not possible to ascertain whether the contract price still remains the same as before to avoid future litigations between the EPZA, KLDC and the Contractor	The Contract works for 10MLD and 2.5MLD effluent treatment plants have not changed after relocation to a higher ground. The only component which slightly reduced is the effluent reticulation lines. The contractor submitted request for change proposal and the same was reviewed by the State Department of Public Works and the Joint Employers to arrive at an estimated reduced value that is yet to be agreed altogether.	CEO	Not Resolved.	**FY 2023/24**

Dr. Issack M. Noor, PhD
Chief Executive Officer

APPENDIX II: PROJECTS IMPLEMENTED BY THE COUNCIL

The projects which the Council undertook during the year under review were fully funded by the Government of Kenya, through the Ministry of Agriculture and Livestock Development; State Department of Livestock Development.

I. PROJECT DETAILS

S/No.	Project title	Project Numb	Donor	Period/ duration	Donor commitment	Separate donor reporting required (yes/no)	Consolidated in these financial statements (yes/no)
					Kshs 'Million'		
1	Development of Kenya Leather Industrial Park	1	GoK	2017-Date	4,809	No	yes

II. STATUS OF PROJECTS COMPLETION

S/No	Project title	Total project Cost	Total expended to date (Restated)	Completion % to date	Budget	Actual	Sources of Fund
		Kshs 'Million'	Kshs 'Million'	Kshs 'Million'	Kshs 'Million'	Kshs 'Million'	
1	Development of Kenya Leather Industrial Park	4,809	2,392	50%	62.5	62.5	GoK
	Total	**4,809.0**	**2,391.5**	-	**62.5**	**62.5**	

APPENDIX III: INTER-ENTITY TRANSFERS

The transfers which the Council received during the year under review were all from th National Treasury, through the Ministry of Agriculture and Livestock Development; State Department of Livestock Development.

Details	Bank Statement Date	Financial Year	
		FY 2022/2023	FY 2021/2022
		Kshs.	Kshs.
Recurrent Grants	Sep-22	46,625,000	25,250,000
	Dec-22	46,625,000	37,875,000
	Mar-23	42,595,000	37,875,000
	Apr-22	-	37,875,000
	Jun-23	46,625,000	12,625,000
Total		**182,470,000**	**151,500,000**
Development Grants	Dec-22	62,500,000	50,000,000
	May-22	-	50,000,000
Total		**62,500,000**	**100,000,000**
Grand Total		**244,970,000**	**251,500,000**

The above amounts have been communicated to and reconciled with the parent Ministry

CPA Albert Ariku
Manager, Finance & Accounts
Kenya Leather Development Council
ICPAK No. 5280

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Deputy Accountant General
State Department of Livestock
ICPAK No. 7770