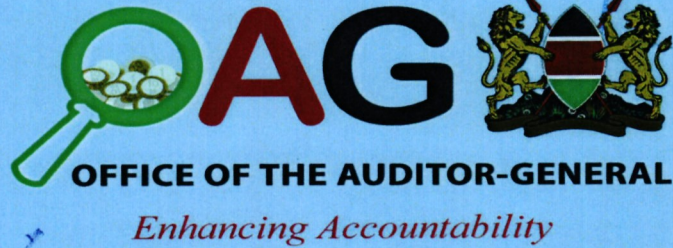
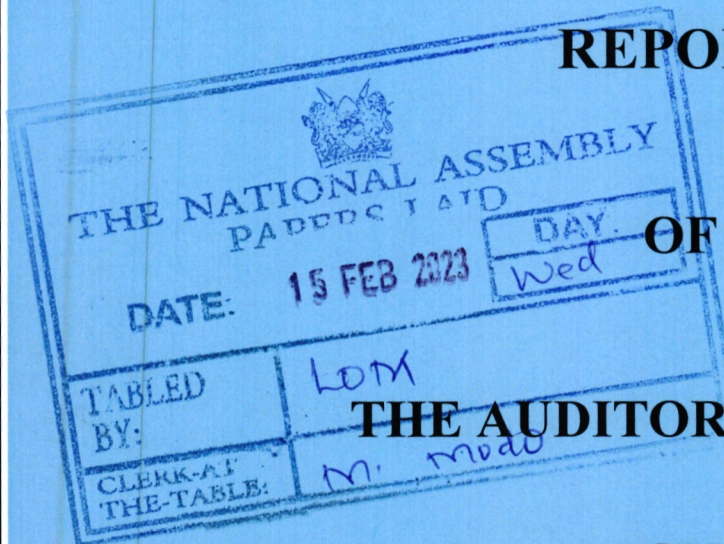


REPUBLIC OF KENYA



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REPORT



THE AUDITOR-GENERAL

ON

**INDUSTRIAL AND COMMERCIAL
DEVELOPMENT CORPORATION**

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



INDUSTRIAL AND COMMERCIAL DEVELOPMENT CORPORATION

ANNUAL REPORTS AND FINANCIAL STATEMENTS

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

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

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

Table of Contents	Page
I. KEY ENTITY INFORMATION	1
II. THE BOARD OF DIRECTORS.....	5
III. MANAGEMENT TEAM.....	12
IV. CHAIRMAN'S STATEMENT.....	16
V. REPORT OF THE EXECUTIVE DIRECTOR.....	18
VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021.....	20
VII. CORPORATE GOVERNANCE STATEMENT.....	22
VIII. MANAGEMENT DISCUSSION AND ANALYSIS	25
IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING	27
X. REPORT OF THE DIRECTORS	30
XII. REPORT OF THE INDEPENDENT AUDITORS ON INDUSTRIAL AND COMMERCIAL DEVELOPMENT CORPORATION.....	33
XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021.....	34
XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021	35
XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021	37
XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021	38
XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021.....	39
XVIII. NOTES TO THE FINANCIAL STATEMENTS.....	41
APPENDICES.....	88

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

I. KEY ENTITY INFORMATION

Background information

The Industrial and Commercial Development Corporation was established by the ICDC Act (Cap.445 Laws of Kenya) of Parliament on 1954. At Cabinet level, the Industrial and Commercial Development Corporation is represented by the Cabinet Secretary, The National Treasury and Planning who is responsible for the general policy and strategic direction of the Corporation. Industrial and Commercial Development Corporation is domiciled in Kenya with offices in Nairobi.

Principal Activities

The principal activity of ICDC is to facilitate industrial and economic development of Kenya by initiation, assistance or expansion or by aiding in the initiation, assistance or expansion of industrial, commercial or other undertakings or enterprises in Kenya or elsewhere.

VISION

Uplifting lives through Industrialization.

MISSION

To promote socio-economic development of Kenya by providing financial solutions for sustainable industrial and commercial enterprises.

BRAND PROMISE

Creation of sustainable wealth.

CORE VALUES

Professionalism, Integrity, Reliability, Teamwork, Innovation.

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

DIRECTORS

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

- | | | | |
|-----|--------------------------------------|--------------------|---------------------------|
| 1. | Bernard Muteti Mungata | Chairman | Retired 7 August 2020 |
| 2. | William Haggai | Executive Director | Appointed on June 2018 |
| 3. | Isaiah Cheruiyot | | Retired 7 August 2020 |
| 4. | Margaret Rigah | | Retired 7 August 2020 |
| 5. | Peterson Mwai | | Retired 7 August 2020 |
| 6. | Halima Ali Omar | | Retired 7 August 2020 |
| 7. | Francis Gitari | | Retired 7 August 2020 |
| 8. | Wilson M Waithaka | | Retired 7 August 2020 |
| 9. | Eliud K Sifuna | | Retired 7 August 2020 |
| 10. | Mr Charles Kairu | | Appointed 1 November 2019 |
| 11. | Mr Nicholas Gakiha | | Appointed 5 November 2019 |
| 12. | John Ngumi | Chairman | Appointed 7 August 2020. |
| 13. | Carol Musyoka | | Appointed 7 August 2020. |
| 14. | Rita Okuthe | | Appointed 7 August 2020. |
| 15. | Njoroge Nani Mungai | | Appointed 7 August 2020. |
| 16. | Richard Kiplagat | | Appointed 7 August 2020. |
| 17. | General (Rtd) Joseph Raymond Kibwana | | Appointed 7 August 2020. |
| 18. | Jaswinder Bedi | | Appointed 7 August 2020. |
| 19. | Maj. Gen. (Rtd) Pastor Awita | | Appointed 7 August 2020. |

Corporate Secretary

M. Magunga
House 19th Floor
45519 – 00100

Head Office

House
Walk P.O. Box 45519
Nairobi, KENYA

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

Corporate Headquarters

Uchumi House
Aga Khan Walk P.O. Box 45519
00100 Nairobi, KENYA

Corporate Contacts

Telephone: (254) 020 2229213/2771000
Mobile: 0727534572/0736229213
E-mail: info@kdc.go.ke
Website: www.kdc.go.ke

Corporate Bankers

1. KCB Bank Kenya Limited
Moi Avenue
P.O. Box 30081 – 00100
Nairobi
2. NCBA Bank Kenya PLC
Wabera Street
P.O Box 30437 – 00100
Nairobi
3. Co-operative Bank of Kenya Limited
Uchumi House
Aga Khan Walk
P.O Box 40310 – 00100
Nairobi...

Independent Auditors

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

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

Principal Legal Advisers

1. The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112-00200
City Square, Nairobi, Kenya

2. Grace M. Magunga Advocates, LLB, CPS (K)
Uchumi House 19th Floor
P.O Box 45519 – 00100
Nairobi

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

II. THE BOARD OF DIRECTORS

1.	 John Ngumi Chairman	Mr. John Ngumi born on 2nd October 1955, was appointed to the Board of Directors on 7th August 2020. During his 35-year career, he has established himself as one of East Africa's foremost corporate and investment bankers. John started his banking career at London's National Westminster Bank soon after completing his degree course from St. Peter's College, Oxford University with 1st Class Honours in Philosophy, Politics & Economics (PPE). Mr. Ngumi has worked for various institutions including; Grindlays Bank, Citibank, Barclays Bank and Standard Bank of South Africa, in addition to co-founding one of Africa's first locally-owned investment banks; the Loita Capital Partners Group. He led trail-blazing transactions in diverse sectors: telecommunications, cement, real estate, energy, financial services, agri-business, manufacturing, aviation, energy, power and infrastructure and pioneered many of the financing techniques currently in use in East Africa. Mr. Ngumi has served as a Board Chairman for a number of Government institutions, including Kenya Pipeline Company Limited and Konza Technopolis Development Authority. He also served as an inaugural director of the Communication Commission of Kenya, now Communications Authority.
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Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

2.	 William Haggai Executive Director	Haggai William, born on 22nd November 1970, has been the Executive Director since June 2018. Prior to this appointment, he was the Strategy and Risk Manager from July 2015. He has vast knowledge in Information Systems Management, Enterprise Risk Management, Strategic Planning, Operations Management, and Performance Monitoring and Evaluation drawn from close to 19 years' experience with IDB Capital Ltd. Mr Haggai holds a Master of Business Administration degree in Operations Management and a Bachelor of Commerce degree in Management Science from the University of Nairobi. He is also a Quality Management Systems Auditor. He has attended a wide range of short courses on development financing both locally and outside the country. He is a member of the Computer Society of Kenya, and the Institute of Directors Kenya. He serves on the Board of Directors of Centum Investments Limited, Isuzu East Africa Limited, Almasi Beverages Ltd, Kenya Wines Agencies Ltd and Development Bank of Kenya.
3.	 Njoroge Nani Mungai	Njoroge Nani Munga born on 22nd June 1965, was appointed to the Board on 7th August 2020. He's is a senior Partner at MMC Asafo in the capacity of Head of Projects, Infrastructure & Capital Markets. He has gained extensive knowledge and experience in the fields of Capital Markets, Sovereign Borrowing, Project Development and PPP arrangements. He provided transaction advisory services on the largest IPO in East and Central Africa which entailed the sale of 25% of the Government of Kenya's shareholding in Safaricom Ltd at the then Nairobi Stock Exchange (NSE). He has acted as a Legal advisor to the Kenya Airports Authority on the proposed airport concession of Jomo Kenyatta International Airport through a privately initiated investment proposal. He has also represented the owners and developers of electricity projects including wind, solar and geothermal projects in all aspects of conceptualization and development of the projects. He holds a Bachelor of Laws (LLB) from The University of Nairobi and a Post Graduate Diploma from Kenya School of Law. He has also

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

		undertaken skills development courses in the areas of Oil and Gas at the Institute for Energy Law of the Center for America and International Law, Euro-money Legal at 7th African School for International Law, Mergers & Acquisitions in Johannesburg and Euro Money Course on Syndicated Loans in London.
4.	 Charles Kairu Alternate Director to CS National Treasury	Mr. Charles Kairu born on 5th May 1959, was appointed to the Board of ICDC as an Alternate Director to the Cabinet Secretary, Treasury & Planning on 19th August, 2019. He is a qualified Public Finance and Public Debt Management officer. He holds the position of a Deputy Director, Debt Management with the Public Debt Management office (PDMO), National Treasury. He is in Charge of the Fiscal Risks and Portfolio Management Division in the Debt Policy, Strategy and Risk Management Department (Middle Office). He is currently working on finalizing Kenya's Public Debt & borrowing Policy, which is at the Cabinet Approval stage. Mr. Kairu has also held other positions as alternate to the Cabinet Secretary, National Treasury & Planning at the National Irrigation Authority (NIA), Council of Murang'a University College and Board of Information Communication Technology (ICT).
5.	 Rita Okuthe	Rita Okuthe born on 11th September 1971, was appointed to the Board on 7th August 2020. She's the Chairperson of The Board of Directors of Kenya Pipeline (KPC) Limited a position to which she was appointed on August 7 2020. Rita has been a member of the KPC Board of Directors since 2018 serving as Chairperson of the Board Audit Committee. Rita is a turnaround and marketing expert having worked in several blue-chip companies such as MTN and Etisalat. She has also worked for Safaricom Ltd since 2009 in various roles including Head of Consumer Business, Director Marketing and Chief Enterprise Officer. Rita holds a bachelor's degree in Economics and a Master Degree in Marketing. She is also an

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

		Executive Coach accredited by the Academy of Executive Coaching Ltd (AOEC) and serves as a non-executive member of the board of directors of various companies.
6.	 Carol Musyoka	Carol Musyoka born on 29th August 1972, was appointed to the Board on 7th August 2020. She has several years of financial leadership with extensive experience in deal origination, negotiation, structuring and execution having been involved in several landmark corporate finance transactions in Kenya. Her executive management and board experience include her role as the Corporate Director, Barclays Bank of Kenya as well as the Executive Director and Chief Operating Officer of K-Rep Bank Ltd, Kenya's first micro finance institution. Carol has had considerable credit risk and corporate banking experience and training over her banking career, at both Barclays and Citibank. She currently serves as a non-executive director on the boards of directors of East Africa Breweries Ltd where she chairs the Board Numeration and Remuneration Committee as well as the Board Investment Committee, British American Tobacco Ltd and the national carrier, Kenya Airways, all of which are Nairobi Stock Exchange listed companies. She also the chairperson of the Board of Business Registration Services, a Parastatal created to oversee the Kenyan Companies Registry. Carol holds a Bachelor of Law degree from the University of Nairobi and a Master of Law degree from Cornell University, USA.

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

7.	 Richard Kiplagat	Richard Kiplagat born on 25th July 1969, was appointed to the Board of Directors on 7th August 2020. He is the Chairman of the Unclaimed Financial Assets Authority, UFAA, a State Corporation responsible for receiving, safe guarding and reuniting financial assets with their rightful owners. Richard Kiplagat is also Group Director at Africa Practice (AP), a Pan African Strategic Advisory Firm with offices in London, Dar es Salaam, Perth, Casablanca, Johannesburg, and Lagos. He is also the Senior Stakeholder Advisor to business and Government leaders particularly in the Infrastructure, Energy, Oil and Gas sectors. Richard Kiplagat currently serves on the board of directors of several organizations including Brand Africa, GearBox, Aga Khan University Advisory committee, Heart Attack Concern Kenya and Akiba Group of Schools. In the past, he has been a board member for Jamii Bora Bank where he was Chairman, Kenya ICT Federation where he was Vice Chairman, Kenya ICT Village, Kenya ICT Board, Kenya Youth Business Trust (Chairman), Allavida and Kenya National Chamber of Commerce. Richard Kiplagat studied Economics and Political Science at the University of Toronto Canada, with a focus on the economics of development.
8.	 Jaswinder Bedi	Jaswinder Bedi born on 15th January 1963, was appointed to the Board of Directors on 7th August 2020. He is a textile graduate (1984) and has attended numerous executive business courses in Harvard Business School, IMD Business School and IIM Business School. His business acumen has been recognized by Government of Kenya whereby he was the recipient of a presidential award, Moran of the Burning Spear (MBS) in 2012 from H.E. President Mwai Kibaki. In 2016, he received another presidential award, Elder of the Burning spear (EBS) from H.E. President Uhuru Kenyatta. Jaswinder is currently the Chairman Kenya Export Promotion and Branding Agency (BrandKE), Managing Director of Bedi Investments Limited, Executive Director of Fine Spinners Uganda Limited, Director of Kenya Private Sector Alliance

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

		(KEPSA) and a Member of Young Presidents Organization (YPO).
9.	 General (Rtd) Joseph R. Kibwana	General (Rtd) Joseph R. Kibwana born on 21st February 1947, was appointed to the Board of Directors on 7th August 2020. He is currently also the Chairman of the Board of Directors of Kenya Ports Authority. A career military officer, he retired as the Chief of General Staff in 2005 and served as Chairman of Kenya Trade Network from 2011 to 2014 and 2015 to 2018. He also served as a Non-Executive director on the board of directors KCB Bank Group Ltd from 2012 to 2017; KCB Burundi from 2013 to 2015 and chairman of KCB South Sudan from 2015 to June 2020. He's an alumni of Britannia Royal Naval College (UK), Faraday House Engineering College (UK), Royal Naval School of Electrical and Weapon Engineering (UK), the US Naval Staff College and US Naval War College. He's a member of the Institute of Directors, Kenya.
10.	 Maj. Gen. (Rtd.) Pastor Omudho Awitta	Maj. Gen. (Rtd.) Pastor Omudho Awitta born on 16th June 1952, joined the Kenya Armed Forces, now Kenya Defence Forces in 1973 as Officer Cadet and commissioned in 1974 in the rank of Second Lieutenant. He served the Kenya Defence Forces for a period of 34 years and held a number of appointments both in the Kenya Navy and at the Department of Defence Headquarters. He was appointed Commander of the Kenya Navy in 2001 and served in that capacity for five years until 2006 when he retired. He attended several courses in the United Kingdom and United States of America. He holds Diplomas from the Institute of Purchasing and Supplies (UK), Material Handling (UK), Finance and Management (USA) and Strategic Military Studies from the National Defence College, Kenya. His Military Honours, include Moran of the Golden Heart (MGH), Elder of the burning Spear (EBS) among others.

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

11.	 Nicholas Gakiha Alternate Director to The Principal Secretary, State Department for Industrialization.	Mr. Nicholas Gakiha born on 26th June 1966, was appointed to the board on 5th November, 2019. Mr Gakiha represents the Ministry of Industry, Trade and Enterprise Development. He is currently working in the Ministry's State Department for Industrialization. His public service career includes working for both the National and County Governments in various capacities that includes serving as the Provincial Industrial Development Officer for Nairobi Province, Country Industrial Development Officer for Nakuru County and the Director of Trade in the County Government of Meru. Mr Gakiha holds a Master of Science Degree in Entrepreneurship and a Bachelor of Commerce Degree with a specialization in Business Administration. He has also undertaken skills development courses in the areas of Community Capacity & Rural Development in Japan, Policy formulation for Small & Medium Enterprises Development in Malaysia, Project Management and Strategic Leadership among others.
12.	 Grace M. Magunga Corporation Secretary	Grace Magunga born on 4th January 1965, has been the Corporation Secretary of ICDC since 2006. She has vast experience spanning over 19 years in Legal Matters and Corporate Secretarial Services, gained at ICDC. She is also the Company Secretary of Almasi Beverages Limited, Funguo Investments Ltd, Kenya National Trading Corporation Ltd and Focus Container Freight Station Ltd. Mrs. Magunga holds a Bachelor of Law degree from the University of Nairobi, a Diploma in Legal Practice and is a Certified Public Secretary (CPS K). She also holds a Master of Science Degree in Human Resource Management from Jomo Kenyatta University of Agriculture and Technology.

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

III.MANAGEMENT TEAM

Ref	Management	Details
1.	 William Haggai Executive Director	Haggai William has been the Executive Director since June 2018. Prior to this appointment, he was the Strategy and Risk Manager from July 2015. He has vast knowledge in Information Systems Management, Enterprise Risk Management, Strategic Planning, Operations Management, and Performance Monitoring and Evaluation drawn from close to 19 years' experience with IDB Capital Ltd. Mr Haggai holds a Master of Business Administration degree in Operations Management and a Bachelor of Commerce degree in Management Science from the University of Nairobi. He is also a Quality Management Systems Auditor. He has attended a wide range of short courses on development financing both locally and outside the country. He is a member of the Computer Society of Kenya, and the Institute of Directors Kenya. He serves on the Board of Directors of Centum Investments Limited, Isuzu East Africa Limited, Almasi Beverages Ltd, Kenya Wines Agencies Ltd and Development Bank of Kenya.
2.	 Grace M. Magunga Corporation Secretary	Grace Magunga has been the Corporation Secretary of ICDC since 2006. She has vast experience spanning over 19 years in Legal Matters and Corporate Secretarial Services, gained at ICDC. She is also the Company Secretary of Almasi Beverages Limited, Funguo Investments Ltd, Kenya National Trading Corporation Ltd and Focus Container Freight Station Ltd. Mrs. Magunga holds a Bachelor of Law degree from the University of Nairobi, a Diploma in Legal Practice and is a Certified Public Secretary (CPS K). She also holds a Master of Science Degree in Human Resource Management from Jomo Kenyatta University of Agriculture and Technology.

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

3.	 Mbatha Mbithi Marketing Manager	Ms Mbithi is the Marketing Manager, a position she has held since 1st July, 2017. She was previously the Chief Manager, Operations. She has a solid background in Finance and Banking having worked in middle and senior management level positions in five commercial banks. Prior to joining ICDC, she was Head of Credit at Family Bank Ltd. She also serves on the Boards of Directors of Eveready East Africa Ltd and Development Bank of Kenya Ltd. Ms Mbithi holds a Master of Business Administration degree in Strategic Management from Moi University and a Bachelor of Science Degree in International Business Administration from the United States International University. She is a member of the Kenya Institute of Management Administration from the United States International University. She is a member of the Kenya Institute of Management.
4.	 Faith Nene Human Resources & Administration Manager	Mrs. Nene is the Human Resources & Administration Manager since September 2005. She has wide experience in Human Resource management spanning over 18 years gained at ICDC. She holds a Master of Science degree in Human Resources Management from the University of Manchester, UK and a Bachelor of Arts degree in Government & Philosophy from the University of Nairobi. She is a member of Institute of Human Resource Management (IHRM).

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

5.	 Edward Gitau Investments Manager	He has over 30 years' experience in financial analysis, investment appraisal, enterprise valuations and investment monitoring. He is a member of the Board of Directors of IDB Capital Ltd. He holds a master degree in project management from Kenyatta University and a bachelor's degree in Economics and Statistics from the University of Nairobi. He is a Certified Investments and Financial Analyst (CIFA)
6.	 Herman Gacugi Internal Audit Manager	Mr. Gacugi is the Audit Manager since November 2018 He has over 11 years' experience in finance and banking, with close involvement in automated processes, E-Commerce, corporate governance, enterprise risk management, financial services regulatory framework, accounting, external and internal audit processes. Prior to joining ICDC, he was a Management Accountant at Davis & Shirliff supporting East African Subsidiaries, and has also served in middle and senior management level positions at Chase Bank and Commercial Bank of Arica Ltd. Mr. Gacugi holds a Master of Science degree in ICT from Jomo Kenyatta University of Science and Technology (JKUAT); a Bachelor's degree in Commerce – Accounting from Egerton University. He is a Certified Public Accountant (CPAK) and a Certified Information Systems Auditor (CISA)

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

7.



Kennedy M. Wanderi
Finance Manager.

Mr. Kennedy M. Wanderi is ICDC's Finance Manager since May 2014.

He has wide experience spanning over 20 years in Accounting, Financial and Investments management as well Strategy formulation and execution gained at ICDC. He served as the Ag. Investment Manager between April 2019 and August 2020. He also previously served as the Ag. Executive Director from July 2015 to June 2018.

He has previously served on the Board of Directors of various companies including Centum Investments PLC, Isuzu East Africa Ltd, Almasi Beverages Limited, Kenya Wine Agencies Ltd and Development Bank of Kenya Ltd.

He is currently a member of the Board of Directors of Minet Kenya Insurance Brokers Limited and Uchumi Supermarkets Limited.

He holds a Master of Business Administration degree in Finance and Banking, and a Bachelor of Business Management degree from Moi University. He is a Certified Public Accountant (CPA).

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

IV. CHAIRMAN'S STATEMENT

Overview of the Operating Environment



The last eighteen months have largely been characterized by outbreak of Covid-19 pandemic that necessitated stringent lockdowns across the globe. Most economies experienced steep income losses, depressed labour mobility, cut-back on private sector investments and general contraction in global trade and investment.

As a result of these disruptions, the global economy contracted by 3.5% in 2020 compared to 2.8% growth realized in 2019. Advanced economies were particularly affected, contracting by 4.9% compared to 2.4% contraction in the Emerging Market and Developing Economies. Sub Saharan Africa recorded a contracted growth of 2.6% during the review period.

World Trade volumes contracted by 9.6% compared to 1% growth registered in 2019. Growth in global consumer prices slowed to 0.7% for advanced economies and 5% for Emerging and Developing economies while oil prices contracted by 32.7% compared to a contraction of 10.2% recorded in 2019.

On the domestic front, depressed economic growth was experienced in the first half of the financial year due to the stringent Covid-19 containment measures rolled out by the Government to limit the spread of the pandemic and prevent the health system from being overrun and further damage to the economy. These measures included restriction of movement in and out of certain counties, closure of learning institutions and businesses, and cessation of international travel. As a result, the economy grew by 1% in 2020 compared to a growth rate of 5.4% in 2019.

During the year 2021, the global economy has shown strong signs of recovery following the roll-out of wide spread vaccination programs which has enabled the major economies to open up. Restrictions on international travel have been relaxed and global supply chains are working more effectively. On the domestic front, the government has lifted most of the restrictions imposed earlier on including cessation of movement, closure of learning institutions and restaurants among other measures.

Future Outlook

The World Health Organization targets to have a 40% vaccination coverage of all countries by end of 2021 and 70% by mid-2022. With a larger global population vaccinated, more opening of the economies is expected with a projected global growth rate of 6% in 2021 and 4.9% in 2022.

The Government had targeted 10 million people to be vaccinated by the end of 2021 with the attainment of this goal, it will be possible to further open the economy and provide more

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

confidence to international travellers who wish to visit the country. This will provide a major boost to the tourism industry which accounts for 10% of the country GDP and further accelerate the recovery of the economy with a projected growth rate of 5% in 2021 and 4.9% in 2022.

Financial Performance

During the period, the Corporation realized a gross income of Kshs 1.42 billion compared to Kshs 1.24 billion realized the previous period, this was made up of Ksh.570 million in dividends, interest on loans Ksh.242 million, and income from other sources was Kshs 583 million

Kshs 648 million was realized as pre-tax profit, the profit after tax was Kshs. 566 million compared to Kshs 480 million realized during the previous year.

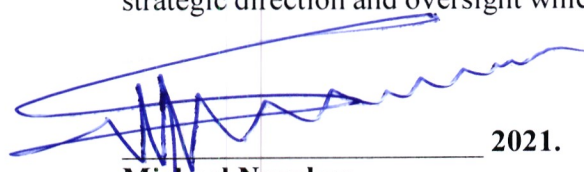
Loans totalling Kshs 301 million was disbursed to various sectors of the economy as the corporation continued its mandate of supporting the government in fulfilling its big four agenda

Looking ahead

ICDC's current operations were with effect from 1 July, 2021 merged with those of IDB Capital Limited and Tourism Finance Corporation under the Kenya Development Corporation Limited (KDC) through vesting order, Legal Notice No.113 of 2021 to form a bigger institution with greater scale and capacity to play a more effective role in the development of the country. ICDC will continue to implement Executive Order No. 5 of 2020 which created a framework for the management, coordination and integration of public investments in Port, Railway and Pipeline services under the Kenya Transport and Logistics Network (KTLN). The creation of the framework seeks to create synergies and enhance the efficiencies of the State agencies mandated to operate the public transport and logistic services to achieve Kenya's strategic agenda of becoming a regional logistics hub. I believe that ICDC and KDC will each settle well in their new mandates and continue to work together for the benefit of the Kenyan people.

On behalf of the Board, I wish to thank the management and the employees for the invaluable efforts in ensuring that the Corporation remains a key pillar in the development finance sector. My sincere gratitude to The National Treasury and Planning, other Government ministries and agencies, Customers and other partners for the unwavering support and contribution made in the year 2020/2021.

I would also like to express my gratitude to fellow Board members for providing the required strategic direction and oversight which are critical for the continued success of the Corporation.



2021.

Michael Nyachae
Chairman
Kenya Development Corporation

V.REPORT OF THE EXECUTIVE DIRECTOR

Overview of the operating environment

The 2020-2021 was a challenging year given the prevailing Covid-19 pandemic that adversely affected the global economy. The business world has had to adopt so as to overcome the micro and macro-economic variables negatively impacted by the prevailing global pandemic, ICDC has remained resilient and competitive by continuously instituting control measures to improve efficiency in its operation, maintaining best practises and investing in its human capital resources.

Financial Performance

During the period, the Corporation realized a gross income of Kshs 1.42 billion compared to Kshs 1.24 billion realized the previous period. The increase in earnings is attributed mainly to higher dividend declared by investee companies as they gained more confidence in the performance of the economy. Total dividend during the year amounted to Ksh.570m compared to Ksh480.6 million realized during the previous period. Interest on loans was lower at Ksh.242 million compared to Ksh273 million during the previous period. The decline was mainly due to lower loan disbursements during the period as demand for credit declined due to the effects of the pandemic. Revenue from sale pf investment property was higher at Ksh.1.3 million compared to Ksh8.5 million realized during the previous period.

A pre-tax tax profit of Kshs 648 million was realized compared to Kshs 499 million realized during the previous year.

New investments undertaken during the year amounted to Ksh321million compared to Kshs 616 million invested during the previous period. Loan disbursements and other investment programs were severely impacted by the pandemic as it became difficult to visit projects to undertake due diligence. Some customers also put on hold project implementation as they waited what direction the economy would take.

The Corporation closed the year with a total asset position of Ksh.26 billion compared to Ksh.26.5 billion recorded in the prior year period. The decrease in assets position was mainly due to lower value of quoted securities as the prices on the Nairobi Securities Exchange plummeted due to the effects of the pandemic.

Future Outlook

The Kenya Development Corporation (KDC), created on 1st July 2021 following the merger of Industrial and Commercial Development Corporation (ICDC), Tourism Finance Corporation (TFC) and Industrial Development Bank (IDB) Capital Limited. KDC brings synergy by taking advantage of the diversity of competitive advantage of each of the three institutions, KDC is

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

mandated to promote sustainable economic development by providing development finance, infrastructure finance, business support and advisory services to medium and large-scale industries, infrastructure projects and commercial undertakings in target sector in Kenya and beyond

The Corporation continues to invest in its human capital, systems as it seeks to improve its processes to ensure continued success as it continues to fulfil its mandate by engaging all the stakeholders.



2021.

Christopher Huka
Interim Director General
Kenya Development Corporation

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

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

ICDC has 2 strategic pillars and objectives within the current Strategic Plan for the FY 2018-
FY 2023. These strategic pillars are as follows:

Pillar 1: Industrial Financing

To create fifty (50) enterprises in selected sub-sectors of manufacturing through identification, appraisal, implementation, monitoring & evaluation and investment of approximately Kshs7.85 billion by the year 2023. The investment is expected to generate output of Kshs185 billion as contribution to GDP.

Pillar 2: Employment Creation

To create fifty thousand (50,000) employment opportunities through enterprises financed by the Corporation in the selected sub-sectors of manufacturing by the year 2023.

During the financial year 2020-21 which is the third year of the strategic plan implementation, the Corporation had set out to achieve the following goals.

- a) Objective 1- Industrial Financing- Avail debt and equity financing of Ksh1.7 billion to enterprises in diverse sectors of the economy.
- b) Create or support the creation of 10 enterprises
- c) Create 10,000 jobs
- d) Realize of profit of Ksh800million.

ICDC develops its annual work plans based on the above 2 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Corporation achieved its performance targets set for the FY 2020/2021 period for its strategic pillars, as indicated in the diagram below:

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Increase share of manufacturing to GDP	Invest Ksh1.7billion in industrial undertakings.	Amount of credit or capital invested	Identify investment opportunities, appraise them, invest and monitor.	Ksh.302 million invested.
	Create 10 enterprises	No. of enterprises created or supported	Invest in new enterprises	2 enterprises were supported
Create employment	Create 3,000 jobs in the manufacturing sector	No of jobs created.	Support enterprises with high employment creation potential.	281 jobs were created
Operate in a sustainable manner	Generate a profit of Ksh800million	Profit generated from operations	Grow revenues and manage costs	A pre-tax profit of Ksh.648 million realized.

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

VII. CORPORATE GOVERNANCE STATEMENT

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

- (a) Observing high standards of ethical and moral behaviour;
- (b) Upholding personal integrity and honesty;
- (c) Acting in the best interests of ICDC in compliance with the Constitution, and all applicable laws;
- (d) Promoting industrial and economic growth in Kenya fairly and responsibly;
- (e) Recognizing the legitimate interests of all stakeholders through participation in policy formulation, resource allocation and access to public funds; and
- (f) Ensuring that ICDC acts as a good corporate citizen.

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

i. Board of Directors

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

ii. Appointment and composition

A new Board of Directors was appointed on 7th August, 2020 to execute the vision of Kenya Transport and Logistics Network. The ICDC Board of Directors was vested with the responsibility of securing the achievement of the commercial vision of Kenya Transport and Logistics Network which was established under Presidential Executive Order No. 5 of 2020. There was compelling need to foster Kenya's competitiveness in the arenas of trade and ease-of-doing-business by enhancing synergy within the institutions mandated with the provision of port, rail and pipeline services. The network brings together the Kenya Ports Authority, Kenya Railways Corporation and Kenya Pipeline Company Limited. ICDC was charged with providing stewardship to ensure prosperity by collectively directing the Network's affairs.

The Board comprises of ten (10) directors including the Chairman and the Executive Director. Six Board members are the Chairpersons of Kenya Ports Authority, Kenya Railways Corporation, Kenya Pipeline Company Limited, Unclaimed Financial Assets Authority, Postal Corporation of Kenya, Kenya Export

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

Promotion and Branding Agency and Business Registration Service while two directors represent the National Treasury and the Ministry of Industry, Trade and Co-operatives. The Directors bring on board a wealth of experience and objective guidance on matters of strategy, management of corporate risk and resource utilization. After appointment of the new Board, the Board governance structures were reconstituted to align to the objectives of the Kenya Transport and Logistics Network. A new Board Charter and Board Committee terms of reference were developed and adopted.

iii. Board meetings

The Board meets quarterly, with additional meetings convened as and when necessary with the approval of State Corporations Advisory Committee (SCAC).

iv. Board Evaluation

The Board undertakes annual self-assessment and evaluation under the guidance of the State Corporations Advisory Committee (SCAC) in order to improve the internal governance of the Board and its Committees. The Board has put in place a performance improvement program to ensure continuous improvement in its performance.

v. Committees of the Board

To effectively discharge its mandate, the Board has established the following four (4) Committees with specific terms of reference set out in each Committee's Charter:

a) Board Risk and Audit Committee

The Committee supports the Board in fulfilling its oversight responsibility relating to the integrity of the Corporation's financial statements, financial reporting process, and systems of accounting and financial controls. The Committee is responsible for the annual external audit of financial statements; performance of the Internal Audit and Risk functions. The Committee ensures that the Corporation has effective systems and processes of accountability and risk management.

b) Human Resource, Governance and Legal Affairs Committee

The Human Resource, Governance and Legal Affairs Committee addresses issues pertaining to staff welfare, governance, legal compliance, stakeholder management and any other issues as may be delegated by the Board from time to time. Matters considered by this Committee include employee matters, good corporate governance practices and stakeholder management. It ensures that appropriate incentives and reward mechanisms are in place in the Corporation whilst maintaining the principles of equity and appropriateness of compensation. The Committee reviews relevant policies and recommends changes geared towards sustaining operations in an increasingly competitive business environment.

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

c) Investments, Finance and Strategy Committee

The Investments, Finance and Strategy Committee is responsible for overseeing the Corporation's investment function, formulate investment policies, strategies and support the Board in matters pertaining to finance and investments, review interim financial reports and other functions as may be delegated by the Board. The Committee exercises oversight over implementation of the investment's strategy.

d) Logistics, ICT and infrastructure Committee

The Logistics, ICT and infrastructure Committee is responsible for implementation of the transport and logistics strategy and supporting the Board in matters pertaining technical infrastructure projects implementation, coordination and integration of the network's processes and services, coordination of transport and logistics policies, information sharing protocols and integration with other government agencies. The Committee exercises oversight over the Kenya Transport and Logistics Network.

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

VIII.MANAGEMENT DISCUSSION AND ANALYSIS

The performance of the Corporation for the last 5 years prior to the audit period is summarized in the table below:

	2021	2020	2019	2018	2017
	Kshs	Kshs	Kshs	Kshs	Kshs
INCOME	1,419,999,838	1,239,535,233	2,022,292,000	1,064,043,321	958,566,000
EXPENSES	750,893,416	726,039,301	1,235,400,000	832,846,161	452,970,000
Operating Profit (Loss)	669,106,522	513,495,932	786,892,000	231,197,161	505,596,000
Finance and other Charges	21,270,235	14,500,000	8,447,815	8,447,815	8,447,815
Profit/(Loss) before Taxation	647,836,188	498,995,932	778,444,185	222,749,346	497,148,185
Profit/(Loss) after Extra-ordinary Items	647,836,188	498,995,932	778,444,185	222,749,346	497,148,185
Corporate Tax	57,483,237	18,426,000	140,447,000	51,259,574	52,046,000
Net Profit (Loss) for the year	590,352,951	480,569,932	637,997,185	171,489,772	445,102,185
Total Assets	26,016,606,052	26,461,266,843	19,234,527,000	23,685,769,000	22,510,456,000
Operating Profit %	58%	47%	71%	24%	56%
Return on Assets	2%	2%	3%	1%	2%

The Corporation is in compliance with all the statutory requirements, in the year under review the corporation has disbursed Kshs301 million in manufacturing, agro processing and hospitality sectors. The major risks facing the Corporation have been business disruptions due to the Covid pandemic outbreak that has affected the business environment leading to slow down of the global economy, Cybercrime security risks, other challenges include; Inadequate financing,) slow divestiture process, high level of non-performing loans. 2022 being an election year, there is bound to be a lot of uncertainty in the business environment. The corporation has instituted integrated risk management strategies to counter those risks.

Kenya's economy has demonstrated resilience to the COVID-19 shock, with output in the first half of the year rising above pre-pandemic levels. In 2021 as a whole, gross domestic product (GDP) is expected to grow by 5%, one of the faster recoveries among Sub-Saharan African countries. Overall

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

economic performance is expected to be robust at 4.9% per year in 2022-23, similar to the pre-pandemic pace (5% average annual growth from 2010 to 2019)

Economic activity in Kenya has continued to adapt to the pandemic and associated restrictions. A mix of containment measures, such as a nightly curfew, were in effect through most of 2021, while more economically disruptive measures such as lockdowns and travel restrictions were phased, limiting the impact on economic activities. The vaccine rollout, which had a slow start due to supply constraints, has picked up as new shipments of vaccines have arrived, particularly since September. This has supported economic recovery and growth through the fourth quarter of 2021

The Corporation isn't in arrears in any statutory and other financial obligations.

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

i) Sustainability strategy and profile -

The Corporation's mandate as a Development Finance Institution (DFI) is to facilitate the industrial and economic development of Kenya through the provision of various financial services. In the execution of this mandate, the Corporation seeks to align its investment, lending and CSR activities to the promotion of the Sustainable Development Goals. The pursuit of sustainable development is therefore integral to our activities rather than a separate agenda. The Corporation invests in projects that are sustainable

ii) Environmental performance

The Corporation is committed to minimize negative environmental impacts in all its business operations by addressing issues such as climate change, green environment and carbon footprint accounting. The Corporation endeavours to introduce activities aimed at minimizing waste in the work place and support programmes that promote environmental protection by external groups and organizations such as United Nations Environmental Program (UNEP), Green Belt Movement and National Environmental Management Authority (NEMA). Measures to minimize waste in the work place will include: Paperless office, and energy saving initiatives.

iii) Employee welfare

The Human Resources policy and procedure manual guide the hiring process. The Corporation is an equal opportunity employer it does not in its recruitment and selection process, discriminate on the basis of gender, race, religion, ethnicity or any other form of discrimination. The constitutional requirement on mainstreaming of gender and persons with disabilities as stipulated in Article 232 of the Constitution shall be observed alongside any policies issued by any the relevant Government Institutions. The Manual is reviewed as and when necessitated so as to be in harmony with legislation, organizational and technological changes but at least every two years. The policy on training and development ensures continuous upgrading of core

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

competencies, knowledge, skills and attitudes of employees including their ability to assimilate technology to enable them create and seize opportunities for career growth, social advancement, economic growth and development. The Corporation has in place a performance management system that considers individual performance and reward employees for their contribution in a fair and equitable manner. The Corporation recognizes and commit itself to the achievement of the highest standards of health and safety in the workplace, and the elimination or minimization of health and safety hazards and risks that may affect its employees. In this regard, it implements policies and programmes that assure their protection from such hazards and disasters in compliance with Occupational Safety and Health Act of 2007, (OSHA)

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

The organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors by observing all the relevant laws are regulations and collaborating with other development financial institutions.

b) Responsible Supply chain and supplier relations

The Corporation maintains good business practices by observing following:

- i. Getting value for money by achieving the desired procurement outcome at the best possible price or the lowest price
- ii. Improve on-time delivery for user departments by reducing the turnaround times
- iii. Using the ERP System to enhance efficiency by giving desired results and reports.
- iv. Satisfy internal customer demands with an agile inventory strategy and improved quality control.
- v. Effective communication with both internal and external customers by encouraging feedback
- vi. Processing invoices for suppliers within 30 days after receipt.

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

c) Responsible marketing and advertisement

The Corporation follows policies that ensures its marketing practises are responsible and ethical.

d) Product stewardship

The Corporation develops products that's meets the needs of the target market segments and safeguards consumer rights and interests.

e) Corporate Social Responsibility / Community Engagements

The Corporation CSR activities are aligned to the business model for purposes of ensuring sustainable engagement with the communities' resident in areas within Corporation's primary sectors focus towards fostering positive interaction that will drive increased business and profitability The CSR activities carried out in the year include giving sanitizers and face masks in Mombasa, Kwale, Kilifi and Machakos Counties thus enabling those areas better cope with the Covid pandemic

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

X.REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Industrial and Commercial Development Corporation affairs.

i) Principal activities

The principal activities of the Corporation are investment in venture capital, lending for commercial and industrial purposes and offering consultancy and related management advisory services.

ii) Results

The results of the Industrial and Commercial Development Corporation for the year ended June 30, 2021 are set out on page 2. Below is summary of the profit or loss made during the year.

Performance ratios	2021	2020
Operating profit %	58%	47%
Profit before income tax (Shs'000)	647,836	498,996
Return on assets	2%	2%
Net assets (Shs'000)	24,824,550	25,244,436

iii) Dividends

The directors do not propose payment of a dividend (2020 – 50,000,000)

iv) Directors

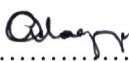
The members of the Board of Directors who served during the year are shown on page 8

v) Auditors

The Office of Auditor General will carry out the audit of the Industrial and Commercial Development Corporation for the year/period ended June 30, 2021

By Order of the Board

Name: Grace Magunga

Signature:.....

Date:.....25/4/22

Corporation Secretary/Secretary to the Board

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (*section 14 of the State Corporations Act, (ICDC) Act (Cap.445 Laws of Kenya)*) require the Directors to prepare financial statements in respect of Industrial And Commercial Development Corporation, which give a true and fair view of the state of affairs of Industrial and Commercial Development Corporation at the end of the financial year/period and the operating results of Industrial and Commercial Development Corporation for that year/period. The Directors are also required to ensure that Industrial and Commercial Development Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of Industrial and Commercial Development Corporation. The Directors are also responsible for safeguarding the assets of Industrial and Commercial Development Corporation.

The Directors are responsible for the preparation and presentation of Industrial and Commercial Development Corporation financial statements, which give a true and fair view of the state of affairs of Industrial and Commercial Development Corporation for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Industrial and Commercial Development Corporation; (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 *Industrial and Commercial Development Corporation*; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for Industrial and Commercial Development Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act), (ICDC) Act (Cap.445 Laws of Kenya)

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

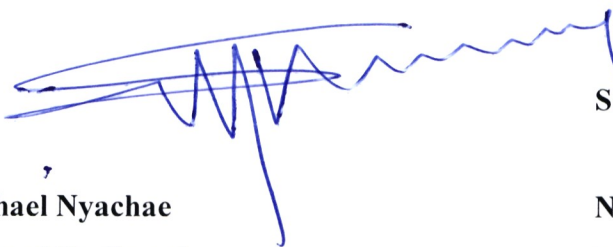
The Directors are of the opinion that Industrial and Commercial Development Corporation's financial statements give a true and fair view of the state of *Industrial and Commercial Development Corporation's* transactions during the financial year ended June 30, 2021, and of Industrial and Commercial Development Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Industrial and Commercial Development Corporation, which have been relied upon in the preparation of Industrial and Commercial Development Corporation's financial statements as well as the adequacy of the systems of internal financial control.

ICDC's business operations, its assets and liabilities were vested in Kenya Development Corporation through Legal Notice No.113 of 2021 published on 2nd July 2021 and merged with IDB Capital Limited and Tourism Finance Corporation. ICDC is expected to remain as a legal entity to undertake the mandate of coordinating the activities of the Kenya Transport and Logistics Network.

Approval of the financial statements

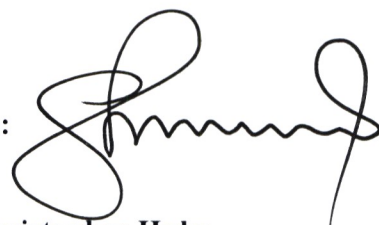
The *Industrial and Commercial Development Corporation's* financial statements were approved by the Board on 7th October 2021 and signed on its behalf by:

Signature:



Name: Michael Nyachae
Chairperson of the Board
Kenya Development Corporation

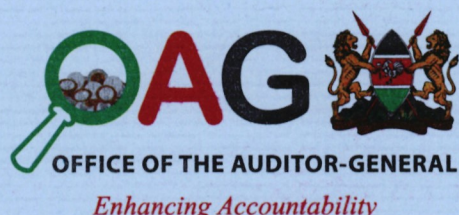
Signature:



Name: Christopher Huka
Interim Director General
Kenya Development Corporation

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON INDUSTRIAL AND COMMERCIAL DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations which have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for 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 Industrial and Commercial Development Corporation (ICDC) set out on pages 34 to 89, which comprise the

statement of financial position as at 30 June, 2021, and the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Industrial and Commercial Development Corporation as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Industrial and Commercial Development Corporation Act, Cap 445 of the laws of Kenya.

Basis for Qualified Opinion

Loans and Advances - Unconfirmed Value of Lending Portfolio

As reported in the prior year and as disclosed in Note 37 to the financial statements, the statement of financial position reflects receivables from non-exchange transactions relating to loans and advances totalling Kshs.2,908,071,098 lent by the Corporation to borrowers as at 30 June, 2021. The respective loan records indicated that approximately Kshs.32,222,112,514 or 92% of the Corporation's total loans portfolio estimated at Kshs.35,130,183,611 as at 30 June, 2021 was considered by Management as non-recoverable. Securities related to some of the old non-performing loans being borrowers' ancestral lands, were reported to be missing, impaired, or irredeemable.

The Board of Directors has approved full provision for the losses totalling Kshs.32,222,112,514 against the Corporation's reserves as required by International Financial Reporting Standard No.9. However, the high ratio of non-performing loans portfolio indicates that the Corporation is unable to recover most loans owed by its customers. As a result, the Corporation's capacity to lend to new borrowers and eventually attain its purpose and mandate may be constrained. Management has explained that the large proportion of the non-performing loans arose from Government policy that required the Corporation not to follow strict commercial lending criteria while disbursing loans.

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

Emphasis of Matter

Events After the Balance Sheet Date

I draw attention to Note 39 to the financial statements, which highlights Executive Order No. 5 of (August) 2020 that established a framework for Management of public port, rail and pipeline services. The Executive Order vested the mandate for coordinating the State's investments in public port, rail and pipeline services to the Corporation through the Kenya Transport Logistics Network on behalf of The National Treasury. Further, Legal Notice No.113 of 2 July, 2021 vested all the assets, liabilities, rights and obligations of the Industrial Development Capital Limited and the Tourism Finance Corporation in a new entity, the Kenya Development Corporation.

The effects of these changes on the operations of the Corporation are expected to become clear after the implementation of the Executive Order and Legal Notice is completed.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,855,562,614 and Kshs.1,419,999,83 respectively resulting to an under-funding of Kshs.435,562,776 or 23% of the budget. Similarly, the Corporation expended Kshs.829,646,888 against an approved budget of Kshs.1,190,841,229 resulting to an under-expenditure of Kshs.361,194,341 or 30% of the budget. Management has attributed the under realization of revenue and under absorption of the budget to the effects of COVID-19 pandemic.

Consequently, the planned programs and activities of the Corporation were possibly not implemented, resulting to inability of the Corporation to achieve its mandate.

Other Information

The Directors are responsible for the other information, which comprises the Chairman's Report, Executive Director's Report, statement of performance against predetermined objectives, corporate governance statement, Management discussion and analysis, environmental and sustainability report, Report of Directors, and statement of Directors'

responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Impairment of Investment in Property

As reported in the prior year, review of the Corporation's inventory of investments in properties indicated that during the year under review, the Board of Directors revised downwards the sale prices for one of its housing projects with a view to increasing demand for the units. As at 30 June, 2021, eleven (11) out of twenty-eight (28) or 39% of one of the project completed in 2015 and twenty-nine (29) out of thirty-six (36) or 81% of the units of the second project completed in 2018 had not been sold. Records provided for audit indicated that the Corporation incurs an average of Kshs.10 million each year to maintain the unsold units in the two projects. The Corporation valued the remaining units in the two projects at Kshs.157,000,245 and Kshs.450,739,955 respectively as at 30 June, 2021.

In view of the delay in the sale of a significantly large portion of the units in each of the two projects and the high costs incurred on their maintenance, the Corporation is yet to realize profit on the money invested in the projects.

2. Irregular Allowances - Inter-Agency Taskforce

The statement of profit or loss and other comprehensive income reflects administrative costs of Kshs.750,893,416 which, as disclosed in Note 10 to the financial statements, includes other operating expenses of Kshs.197,383,214. The latter balance includes an amount of Kshs.30,682,184 that relates to allowances paid to Members of the Inter-Agency Taskforce on merging of Industrial and Commercial Development Corporation, Industrial Development Capital Limited and Tourism Finance Corporation, into the Kenya Development Bank.

Available information indicates that the Salaries and Remuneration Commission (SRC) vide letter Ref: SRC/TS/AG/3/37 VOL.VIII dated 30 July, 2020, approved payment of

allowances to Members of the Inter-Agency Taskforce, for a maximum of 15 days per month for six months, at specified rates based on level of responsibility, for the financial year 2019/2020. Further, the Principal Secretary, The National Treasury vide letter Ref: ZZ/37/014 dated 30 January, 2020 extended the appointments of the Members of the Taskforce to 31 July, 2020. However, the taskforce was in operation for hundred and eighty (180) days, which was double the duration approved by SRC.

Further, the Members of the Taskforce continued in operation from August, 2020 to June, 2021 (FY 2020-2021) and were paid allowances totaling Kshs.12,833,900 for that period without approval by SRC. In addition, there was no evidence of extension of appointment by the Principal Secretary, The National Treasury for the Taskforce Members for the period.

In the circumstances, it was not possible to confirm the propriety of the expenses of Kshs.30,682,184, included in other operating expenses for the year ended 30 June, 2021.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements which are free from material misstatement,

whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in

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

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

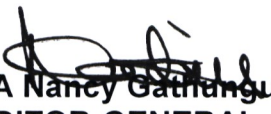
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 July, 2022

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

**XIII.STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR
THE YEAR ENDED 30 JUNE 2021.**

	Note	2020-2021	2019-2020
		Kshs	Kshs
REVENUES			
Revenue	6	837,456,608	753,811,478
Finance income	7	49,382,169	85,067,443
Other Income	8	319,575,061	368,112,464
Other gains	9	213,586,000	32,543,848
TOTAL REVENUES		1,419,999,838	1,239,535,233
OPERATING EXPENSES			
Administration Costs	10	750,893,416	726,039,301
Finance Costs	11	21,270,235	14,500,000
TOTAL OPERATING EXPENSES		772,163,651	740,539,301
PROFIT/(LOSS) BEFORE TAXATION		647,836,188	498,995,932
INCOME TAX EXPENSE/(CREDIT)	12	57,483,237	18,426,000
PROFIT/(LOSS) AFTER TAXATION		590,352,951	480,569,932
OTHER COMPREHENSIVE INCOME			
Profit/ (Loss) after taxation		590,352,951	480,569,932
Fair value gain/(loss) on unquoted investments	18	239,495,397	7,252,977,943
Fair value gain/(loss) on quoted investments	17	(1,249,734,554)	(891,965,086)
Gain on revaluation of Buildings			
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(419,886,207)	6,841,582,789

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

XIV.STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020-2021	2019-2020
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	14	135,895,442	132,636,890
Intangible assets	16	23,593,583	37,878,915
Investment property	15	4,129,239,954	4,123,310,954
Quoted investments	17	2,695,405,311	3,945,139,865
Unquoted investments	18	14,752,470,965	14,536,562,903
Long term Receivables	37	2,908,071,098	2,212,340,561
Total Non-Current Assets		24,644,676,353	24,987,870,087
Current Assets			
Inventories	19	2,193,700	2,409,372
Trade and other receivables	20	570,544,637	364,330,271
Tax recoverable	21	54,345,594	54,345,594
Short-term deposits	22	724,939,421	1,037,976,990
Bank and cash balances	23	19,906,347	14,334,929
Total Non-Current Assets		1,371,929,699	1,473,397,156
TOTAL ASSETS		26,016,606,052	26,461,267,243
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital reserve	25	76,104,350	76,104,350
Fair value adjustment reserve	26	15,324,332,981	16,334,572,138
Retained earnings	27	9,424,112,754	8,833,759,803
Capital and Reserves		24,824,550,084	25,244,436,291
Non-Current Liabilities			
Borrowings	28	863,756,135	906,348,564
Deferred tax liability	29	7,131,900	7,131,900
Deferred Income	37	28,203,940	28,102,170
Total Non-Current Liabilities		899,091,975	941,582,634

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

Current Liabilities			
Trade and other payables	30	270,515,054	275,172,116
Related companies' current balances	34(d)	124,202	76,202
Bank and cash balances	23	22,324,737	
Total Current Liabilities		292,963,993	275,248,318
TOTAL EQUITY AND LIABILITIES		26,016,606,052	26,461,267,243

The financial statements were approved by the Board on **7th October, 2021** and signed on its behalf by:



Interim Director General
Kenya Development Corporation

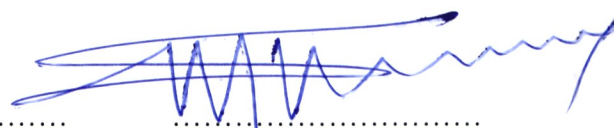
CHRISTOPHER HUKA



Head of Finance

KENNEDY WANDERI

ICPAK M/NO: 3349



Chairman of the Board
Kenya Development Corporation

MICHAEL NYACHAE

XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Capital reserve	Fair value adjustment reserve	Retained earnings	Total
As at July 1, 2019		76,104,350	9,973,559,138	8,369,931,921	18,419,595,409
Fair value adjustment on investments		-	6,361,013,000	-	6,361,013,000
Profit for the year		-	-	480,569,932	480,569,932
Adjustment				(16,742,050)	(16,742,050)
As at June 30, 2020		76,104,350	16,334,572,138	8,833,759,803	25,244,436,291
As at July 1, 2020		76,104,350	16,334,572,138	8,833,759,803	25,244,436,291
Fair value adjustment on investments		-	(1,010,239,157)	-	(1,010,239,157)
Profit for the year		-	-	590,352,951	590,352,951
As at June 30, 2021		76,104,350	15,324,332,981	9,424,112,754	24,824,550,084

XVI.STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020-2021	2019-2020
		Kshs 000	Kshs 000
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH GENERATED FROM/(USED IN) OPERATIONS			
Generated from operation	33	(312,887,840)	151,014,289
Interest paid	33(d)	21,270,235	14,500,000
Taxation paid	12	(57,483,237)	(98,176,594)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		(349,100,942)	67,337,695
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	(18,993,439)	(17,662,231)
Proceeds from disposal of property, plant and equipment		104,657,000	-
Purchase of intangible assets	16	(2,490,843)	(19,367,333)
Proceeds from disposal of Treasury Bond			12,555,000
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		83,172,719	(24,474,564)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	28		500,000,000
Repayment of borrowings	28	(63,862,664)	
Dividends paid	32		(50,000,000)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		(63,862,664)	450,000,000
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(329,790,788)	492,863,131
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,052,311,919	559,448,788
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	33	722,521,031	1,052,311,919

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

XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original budget 2020-2021	Adjustments 2020-2021	Final budget 2020-2021	Actual on comparable basis 2020-2021	Performance difference 2020-2021	% of utilization 2020-2021
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Operational Income	765,031,369		765,031,369	837,456,608	(72,425,239)	109
Other income	1,090,531,245		1,090,531,245	582,543,230	507,988,015	53
Total income	1,855,562,614		1,855,562,614	1,419,999,839	435,562,776	77
Expenses					-	
Compensation of employees	263,449,279		263,449,279	236,090,967	27,358,313	90
Finance cost	22,259,982		22,259,982	21,270,235	989,748	96
Taxation paid	131,437,332		131,437,332	57,483,237	73,954,095	44
Other payments	773,694,636		773,694,636	514,802,449	258,892,186	67
Total expenditure	1,190,841,229		1,190,841,229	829,646,888	361,194,341	70
Surplus for the year	664,721,386		664,721,386	590,352,951	74,368,435	89

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

Variance Explanations-

- i. Other Incomes- The budgeted amount of Ksh1.09 billion included a gain of Ksh685 million for sale of investments which did not materialize due to lack of demand for the quoted shares in the securities market.
- ii. Compensation to employees was lower than budget due to some vacancies remaining unfilled due to the expected merger of the ICDC, TFC and IDB Capital.
- iii. Taxation was lower than budget due to the lower than budgeted profitability.
- iv. Other payments at the end of the year were lower than budget due to lower level of activities as a result of the Covid-19 pandemic.
- v. The lower than budgeted revenue for the period ended 30th June, 2021 was caused by lower levels of interest income and lower income from other non-core revenue sources. The lower interest income was mainly due to lower level of new loan disbursements arising from the negative impact of the Covid-19 pandemic on business activities in the economy
- vi. Finance Charges- Lower due to a delay in signing of the loan agreement between ICDC and The National Treasury for the restructured loan. The finance charges had been budgeted from the beginning of the period but started accruing from the month of December 2020 when the loan agreement was signed

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Industrial and Commercial Development is established by and derives its authority and accountability from ICDC Act Cap 445. The Corporation is wholly owned by the Government of Kenya and is domiciled in Kenya. The Corporation's principal activities are investment in venture capital, lending for commercial and industrial purposes and offering consultancy and related management advisory services.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 24.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of ICDC.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

Title	Description	Effective Date
IAS 39-Financial Instruments: Recognition and Measurement	IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 4- Insurance Contracts (Superseded)	IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

Title	Description	Effective Date
IFRS 7- Financial Instrument Disclosures	IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 16- Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

Title	Description	Effective Date
IAS 16 — Property, Plant and Equipment	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, or depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 37 — Provisions, Contingent Liabilities and Contingent Assets	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 41 — Agriculture	IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 1 — First-time Adoption of International Financial Reporting Standards	IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general-purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

Title	Description	Effective Date
IFRS 3 — Business Combinations	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.
IFRS 17 — Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.]

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

iii. *Early adoption of standards:* ICDC did not early-adopt any new or amended standards in year 2020/2021

NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognized in the year in which the Corporation delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government** are recognized in the year in which the Corporation actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognized as it accrues.

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Freehold Land	Nil
Buildings and civil works	55 years or the unexpired lease period
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	5 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	10 years

Assets acquired during the year are not subject to depreciation in the year of purchase but full depreciation is charged on these assets in the year of disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

e) Intangible assets

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

f) Amortization and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of the intangible asset not exceeding a period of 3 years. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

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

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other entities that are not quoted in the Securities Exchange.

l) Inventories

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

m) Trade and other receivables

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

n) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Corporation operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Corporation operates and generates taxable income.

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

o) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

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

p) Borrowing costs

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

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprest and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

r) Borrowings

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

s) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the Corporation or not, less any payments made to the suppliers.

t) Retirement benefit obligations

The Corporation operates a defined contribution scheme for all full-time employees from July 1, 2020. The scheme is administered by Minet Kenya Financial Services Limited while ICEA-LION are the fund managers. The scheme is funded by contributions from both employees and the Corporation at a rate of 7.5% and 15% of the basic pay respectively. The Corporation also contributes to the statutory National Social Security Fund (NSSF).

u) Provision for staff leave pay

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

v) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Corporation operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

w) Budget information

The original budget for FY 2020-2021 was approved by the National Assembly in 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Corporation upon receiving the respective approvals in order to conclude the final budget.

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

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

x) Service concession arrangements

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

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

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

y) Comparative figures

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

z) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Corporation based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Corporation. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Corporation
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 27.

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.

6. Revenue

	2020/2021	2019/2020
	Kshs	Kshs
Dividend income	570,040,401	480,604,650
Interest income	267,416,207	273,206,828
Total	837,456,608	753,811,478

Interest earnings were lower than previous year due to lower new loan disbursements as demand for credit declined due to adverse effects of Covid-19 pandemic

7. Finance Income

	2020/2021	2019/2020
Description	Kshs	Kshs
Interest from commercial banks and financial institutions	49,382,169	85,067,443
Total	49,382,169	85,067,443

[Reduced interest from commercial banks due to reduced interest yield and reduced surplus funds available for investments]

8. Other Income

	2020/2021	2019/2020
Description	Kshs	Kshs
Rental income	244,547,153	249,065,350
Other miscellaneous receipts	75,027,908	119,047,114
Total	319,575,061	368,112,464

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

9. Other Gains and Losses

	2020/2021	2019/2020
Description	Kshs	Kshs
Loss/gain on disposal on sale of investments	103,000,000	8,500,000
Gain on sale of fixed assets	1,657,000	270,652
Fair value gain or losses on revaluation of investment property	108,929,000	23,773,196
Total	213,586,000	32,543,848

10. Administration Costs

	2020/2021	2019/2020
Description	Kshs	Kshs
Staff costs (note 10b)	236,090,967	235,676,446
Directors' emoluments	11,121,454	25,426,714
Electricity and water	14,539,024	10,618,090
Communication services and supplies	14,665,263	12,123,921
Transportation, travelling and subsistence	13,672,066	11,650,441
Advertising, printing, stationery and photocopying	6,641,638	8,512,991
Staff training expenses	8,069,383	3,452,470
Insurance costs	6,323,800	5,424,475
Bank charges and commissions	495,592	698,868
Auditors' remuneration	5,400,000	5,400,000
Legal fees	5,144,585	5,100,276
Consultancy fees	4,950,857	4,125,588
Repairs and maintenance	6,563,991	13,253,293
Provision for bad and doubtful debts	187,352,493	188,565,235
Depreciation	15,702,915	12,471,342
Amortization	16,776,174	10,442,430
Other operating expenses	197,383,214	173,096,721
Total	750,893,416	726,039,301

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

10b Staff Costs

Description	2020/2021	2019/2020
	Kshs	Kshs
Salaries and allowances of permanent employees	166,774,718	161,699,568
Wages of temporary employees	22,061,103	25,516,912
Medical insurance schemes	9,685,714	13,497,942
Employer's contributions to national social security schemes	139,600	141,400
Employer's contributions to pension scheme	16,753,885	15,865,336
Leave pay	2,224,591	350,063
Gratuity provisions	4,653,968	5,149,874
Fringe Benefit tax	3,101,272	3,102,464
Staff welfare	10,696,116	10,352,887
Total	236,090,967	235,676,446
The average number of employees at the end of the year was:		
Permanent employees – Management	6	6
Permanent employees – Unionisable	48	48
Temporary and contracted employees	3	4
Total	57	58

11. Finance Cost

Description	2020/2021	2019/2020
	Kshs	Kshs
Interest expense on loans	21,270,235	14,500,000
Interest expense on bank overdrafts	-	-
Interest on lease liabilities	-	-
Total	21,270,235	14,500,000

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

	2020/2021	2019/2020
	Kshs	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 12b)	236,090,967	235,676,446
Depreciation of property, plant and equipment	15,702,915	12,471,342
Amortization of intangible assets	16,776,174	10,442,430
Provision for bad and doubtful debts	187,352,493	188,565,235
Directors' emoluments – fees	11,121,454	25,426,714
Auditors' remuneration - current year fees	5,400,000	5,400,000
Loss on disposal of property, plant and equipment	-	99,458,801
Interest receivable	293,934,741	210,312,898
Interest payable	29,500,000	14,500,000
Rent receivable	218,423,602	214,217,248

12. Income Tax Expense/(Credit)

a) Current taxation

	2020/2021	2019/2020
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	57,483,237	42,482,000
Current year deferred tax charge		(24,056,100)
Total	57,483,237	18,426,000

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

	2020/2021	2019/2020
	Kshs	Kshs
Profit before taxation	647,836,287	498,995,932
Tax at the applicable tax rate of 30%	194,350,886	124,748,983
Current tax	57,483,237	
Tax effects of expenses not deductible for tax purposes		36,135,000
Tax effects of income not taxable	(194,350,886)	(171,224,610)
Effects of changes in tax rate		(10,564,606)
Movement in deferred tax not recognized in the year		39,331,233
Total	57,483,237	18,426,000

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

13. Dividend Payment

ICDC does not have a share capital and no issued shares. A dividend per share cannot therefore be computed from the dividend paid. The Corporation pays a dividend to The National Treasury as the sole shareholder depending on the profitability and liquidity position. No dividend has been proposed for the year ended 30th June 2021, in 2020 Kshs.50,000,000 had been paid to the National Treasury as a special dividend as per Ref: DGIPE/A/1/10 dated 16th September 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Property, Plant and Equipment

2021	Buildings & civil works	Motor vehicles, including, motor cycles	Office equipment, furniture & fittings	Computer Hardware	Total
COST OR VALUATION					
At July 1, 2020	78,500,000	35,047,314	42,522,210	55,017,006	211,086,530
Additions			16,964,093	2,029,346	18,993,439
Revaluation					
Disposals		(7,650,500)	(146,000)	(806,600)	(8,603,100)
At June 30, 2021	78,500,000	27,396,814	59,340,303	56,239,752	221,476,869
DEPRECIATION					
At July 1, 2020		18,093,220	17,767,452	42,577,140	78,437,812
Charge for the year		5,479,363	4,252,216	5,971,336	15,702,915
Eliminated on disposal		(7,650,500)	(102,200)	(806,600)	(8,559,300)
At June 30, 2021	0	15,922,083	21,917,468	47,741,876	85,581,427
NET BOOK VALUE as at June 30, 2021	78,500,000	11,474,731	37,422,835	8,497,876	135,895,442

[No Capital Work in Progress]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment (Continued)

2020	Buildings & civil works	Motor vehicles, including, motor cycles	Office equipment, furniture & fittings	Computer Hardware	Total
COST OR VALUATION					
At July 1, 2019	78,500,000	24,069,900	37,465,610	48,459,789	188,495,299
Additions		10,977,414	127,600	6,557,217	17,662,231
Revaluation			4,929,000		4,929,000
Disposals					-
At June 30, 2020	78,500,000	35,047,314	42,522,210	55,017,006	211,086,530
DEPRECIATION					
At July 1, 2019		14,809,340	13,533,350	37,635,609	65,978,299
Charge for the year		3,283,880	4,239,461	4,948,000	12,471,341
At June 30, 2020		18,093,220	17,772,811	42,583,609	78,449,640
NET BOOK VALUE as at June 30, 2020	78,500,000	16,954,094	24,749,399	12,433,397	132,636,890

Annual Reports and Financial Statements

For the year ended June 30, 2021

15. Investment Property

	L. R. Number;	UNREALISED GAIN	VALUATION/COST AS AT JUNE 2021	ADDITIONAL INVESTMENTS/ ADJUSTMENTS	VALUATION/COST AS AT JUNE 2020
	-	-	-	-	-
1	Eldoret Municipality Block 15 / 1757	48,000,000	1,057,500,000		1,009,500,000
2	Portion 5257 Malindi	2,000,000	22,000,000		20,000,000
3	Embu Municipality / 1494	2,500,000	9,500,000		7,000,000
4	498 / 1085, Eldama Ravine	1,500,000	11,000,000		9,500,000
5	L. R. No. 209/7405 Uchumi house	-	1,221,500,000		1,221,500,000
6	Finance House	54,929,000	1,199,999,754		1,145,070,754
	TOTAL	108,929,000	3,521,499,754	-	3,412,570,754
7	MI/ XXVI / 468-Kizingo	-	450,739,955	(19,000,000)	469,739,955
8	MN/I/3189-Nyali	-	157,000,245	(84,000,000)	241,000,245
	TOTAL		607,740,200	(103,000,000)	710,740,200
	GRAND TOTAL	108,929,000	4,129,239,954	(103,000,000)	4,123,310,954

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Valuation

Land and buildings were valued by an ICDC internal valuer on 13th May, 2021 on depreciated replacement cost basis of valuation. These amounts were adopted on 30th June, 2021.

	2020/2021	2019/2020
	Kshs	Kshs
Opening valuation	4,123,310,954	4,174,804,915
Movements during the year		
Additions		54,167,282
Disposals	(103,000,000)	(6,202,442)
Fair value gains/(losses)	108,929,000	(99,458,801)
Closing valuation	4,129,239,954	4,123,310,954
DEPRECIATION (IF AT COST)		
At July 1	-	-
Charge for the year	-	-
Disposals	-	-
Impairment loss	-	-
At June 30	-	-
NET BOOK VALUE AT JUNE 30	4,129,239,954	4,123,310,954

16. Intangible Assets

	2020/2021	2019/2020
	Kshs	Kshs
COST		
At July 1	94,944,968	75,577,635
Additions	2,490,843	19,367,333
At June 30	97,435,811	94,944,968
AMORTISATION		
At July 1	57,066,053	46,585,057
Charge for the year	16,776,174	10,480,996
At June 30	73,842,228	57,066,053
NET BOOK VALUE		
At June 30	23,593,583	37,878,915

[These are computer software]

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Quoted Investments

	2020/2021	2019/2020
	Kshs	Kshs
Opening valuation	3,945,139,865	4,837,104,951
Movements during the year		
Additions	-	-
Disposals	-	-
Fair value gains/(losses)	(1,249,734,554)	(891,965,086)
Closing valuation	2,695,405,311	3,945,139,865

Name of entity where investment is held	No of shares			Nominal value of shares/purchase price	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Prior year
	No	No	No	Kshs	Kshs	Kshs
Centum	152,847,897	-	152,847,897	171,393,240	2,659,553,408	3,905,263,768
Eveready	36,583,575	-	36,583,575	3,423,237	35,851,904	39,876,097
Uchumi Supermarkets	7,288,472	-	7,288,472	34,272,110	34,272,110	34,272,110
					2,695,405,311	3,945,139,865

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Unquoted Investments

	2020/2021	2019/2020
	Kshs	Kshs
COST		
At July 1	15,026,226,301	7,773,216,000
Additions		
Fair value gains/(losses)	239,495,396	7,253,010,301
Disposals		
At June 30	15,265,721,697	15,026,226,301
IMPAIRMENT		
At July 1	489,663,397	478,608,000
Disposals		
Impairment loss in the year	23,587,335	11,055,397
At June 30	513,250,732	489,663,397
NET BOOK VALUE	14,752,470,965	14,536,562,903

[The make-up of the equity investments is as indicated in the table below, valuation done by ICDC's Finance Department on 30th June 2021]

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

Name of entity where investment is held	No of shares			Nominal value of shares/ purchase price	Value of shares less impairment	
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Prior year
	No	No	No	Kshs	Kshs	Kshs
Agro-Chemical & Food Industries Ltd.	845,000		845,000	20		
AON Minet Insurance Brokers Ltd.	309,140		309,140	3,635	1,123,781,379	1,389,911,000
Development Bank of Kenya Ltd.	46,551,750		46,551,750	65	3,003,053,795	3,028,502,000
NJIMIA (K) LTD	60,000		60,000	1,000		
Focus Container Freight Station	25,000		25,000	302	7,547,000	16,193,000
Funguo Investments Ltd.	10,951,460		10,951,460	21	232,237,999	215,803,294
Isuzu East Africa Ltd.	313,500		313,500	9,299	2,915,195,129	3,301,486,000
IDB Capital Ltd.	1,735,500		1,735,500	15	26,032,500	28,404,220
Kenatco taxis ltd.	250,000		250,000	20	-	-
Kenya National Trading Company Ltd.	1,600,000		1,600,000	0	-	-
KWA Holdings E.A. Ltd.	44,555,036		44,555,036	78	3,457,288,645	2,975,905,000
Almasi Beverages Ltd	369,011,278		369,011,278	10	3,726,777,597	3,261,040,000
Two Rivers Development	56		56	4,651,816	260,501,668	295,675,800
Sky Foods Ltd	1,351		1,351	17,500	-	23,642,490
Organic Growers And Packers EPZ Ord	674,440		674,440	100	-	-
Global Supply Solutions Ltd	400,000		400,000	100	-	-
Sisibo Tea Factory Preferential Capital	2,550,000		2,550,000	20	-	-
South Nyanza Sugar Company Ltd.	125,000		125,000	80	-	-
Organic Packers Growers Ltd.	700,000		700,000	100	-	-
TOTAL					14,752,470,965	14,536,562,903

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Inventories

	2020/2021	2019/2020
	Kshs	Kshs
Stationery and general stores	2,193,700	2,409,372
Total	2,193,700	2,409,372

20.) Trade and Other Receivables

	2020/2021	2019/2020
	Kshs	Kshs
Trade receivables (note 21(a))	587,243,757	394,431,535
Deposits and prepayments	1,107,780	1,092,780
Staff receivables (note 21(c))	1,923,230	2,094,949
Other receivables	41,517,982	27,959,120
Gross trade and other receivables	631,792,750	425,578,383
Provision for bad and doubtful receivable	(61,248,113)	(61,248,113)
Net trade and other receivables	570,544,637	364,330,271

20. (a) Trade Receivables

	2020/2021	2019/2020
	Kshs	Kshs
Gross trade receivables	694,433,012	501,620,789
Provision for doubtful receivables	(107,189,255)	(107,189,255)
Net trade receivables	587,243,757	394,431,535
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	109,211,801	107,108,624
Between 30 and 60 days	163,817,702	160,662,936
Between 61 and 90 days	207,018,999	19,464,720
Between 91 and 120 days	59,217,801	57,114,624
Over 120 days	47,977,454	50,080,631
Total	587,243,757	394,431,535

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

20 (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2020-2021	2019-2020
	Kshs	Kshs
At the beginning of the year	107,189,255	119,463,056
Additional provisions during the year		
Recovered during the year		(12,273,801)
Written off during the year		
At the end of the year	107,189,255	107,189,255

20 (c) Staff Receivables

	2020/2021	2019/2020
	Kshs	Kshs
Gross advances	1,923,230	2,094,949
Provision for impairment loss		
Net staff loans	1,923,230	2,094,949
Less: Amounts due within one year	1,923,230	2,094,949
Amounts due after one year		

21. Tax Recoverable

	2020/2021	2019/2020
	Kshs	Kshs
At beginning of the year	(54,345,594)	1,349,000
Income tax charge for the year (note 16)		42,481,901
Under/(over) provision in prior year/s (note 16)		-
Income tax paid during the year		(98,176,495)
At end of the year	(54,345,594)	(54,345,594)

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

22. Short Term Deposits

	2020/2021	2019/2020
	Kshs	Kshs
Other commercial banks		
Development Bank of Kenya Ltd	88,379,545	581,947,930
KCB Bank Kenya Limited	241,152,123	55,000,000
Co-operative Bank of Kenya Limited	395,374,472	401,000,002
KCB- Privatization proceeds account	33,281	29,058
	724,939,421	1,037,976,990

The average effective interest rate on the short term deposits as at June 30, 2021 was 6.7% (2020: 7.1 %).

23. Bank and Cash Balances

	2020/2021	2019/2020
	Kshs	Kshs
Cash at bank	19,719,187	14,311,290
Cash in hand	187,160	23,639
	19,906,347	14,334,929
Cash at Bank in Co-operative Bank	(22,324,737)	

The bulk of the cash at bank was held at Co-operative Bank of Kenya and Kenya Commercial Bank, the entity's main bankers. Negative cash balance in the Co-operative bank arose as a result of payments raised by end of period while cash recalled from short term deposit had not been transferred to the current account.

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2020/2021	2019/2020
		Kshs	Kshs
a) Current account			
KCB MAIN AC NO	1108982255	14,870,754	(345,764)
ICDC CBA AC	6526170014	4,671,140	992,439
RESTRICTED CASH		124,199	124,199
ICDC RENT AC CO-OP BANK	1136308009900		2,486,258
KDB MERGER CASH ACCOUNT	1252913540	53,093	11,054,158
Sub- total		19,719,187	14,311,290
b) a) Current account			
ICDC RENT AC CO-OP BANK	1136308009900	(22,324,737)	
Sub- total		(22,324,737)	

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

		2020/2021	2019/2020
Financial institution	Account number	Kshs	Kshs
c) Fixed deposits account			
DBK Ltd		88,379,545	581,947,930
KCB Bank Ltd		241,152,123	55,000,000
Co-operative of Bank Ltd		395,374,472	401,000,002
KCB-ICDC Privatization Proceeds		33,281	29,058
Sub- total		724,939,421	1,037,976,990
d) Staff car loan/ mortgage			
Other Commercial banks			
Sub- total			
e) Others(specify)			
cash in hand		187,160	23,639
Mobile money account			
Sub- total		187,160	23,639
total		722,521,031	1,052,311,919

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Ordinary Share Capital

ICDC does not have a share capital. The initial funding for the Corporation was provided by The National Treasury in the form of loans and grants.

25. Revaluation/Capital Reserve

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

26. Fair Value Adjustment Reserve

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

27. Retained Earnings

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

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. Borrowings

Description	2020-2021	2019-2020
	Kshs	Kshs
a) Domestic Borrowings		
Balance at beginning of the year	906,348,564	391,848,564
Domestic borrowings during the year		500,000,000
Repayments during the year	(63,862,664)	
Interest for the year	21,270,235	14,500,000
Balance at end of the year	863,756,135	906,348,564
Balance at end of the period	863,756,135	906,348,564

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

	2020-2021	2019-2020
	Kshs	Kshs
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from GOK	334,256,135	391,848,564
Kenya Shilling loan from GOK (onward lending to Development Bank of Kenya)	529,500,000	514,500,000
Total balance at end of the year	863,756,135	906,348,564

Description	2020-2021	2019-2020
	Kshs	Kshs
Short term borrowings (current portion)	-	-
Long term borrowings	863,756,135	906,348,564
Total	863,756,135	906,348,564

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

29. Deferred Tax Liability

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

	2020/2021	2019/2020
	Kshs	Kshs
Revaluation surplus	7,131,900	31,188,000
Tax losses carried forward		(84,568,028)
Provisions for liabilities and charges		60,511,928
Net deferred tax liability	7,131,900	7,131,900

The movement on the deferred tax account is as follows:

	2020/2021	2019/2020
	Kshs	Kshs
Balance at beginning of the year	7,131,900	31,188,000
Credit to revaluation reserve	-	(84,568,028)
Under provision in prior year		
Income statement charge/(credit)		60,511,928
Balance at end of the year	7,131,900	7,131,900

30. Trade and Other Payables

	2020-2021	2019-2020
	Kshs	Kshs
Trade payables	15,020,193	15,578,024
Accrued expenses	36,298,630	36,298,630
Retention/ contract monies	136,023,044	146,372,363
Deposits	58,855,416	54,915,620
Employee payables	16,739,058	10,023,522
Other payables	7,578,712	11,983,957
Total	270,515,054	275,172,116

31. Retirement Benefit Obligations

The entity operates a defined contribution pension scheme for all permanent full-time employees. The scheme is administered by Minet Kenya Financial Services while ICEA-LION are the fund managers. The contribution rates are 7.5% and 15% of the basic salary by the employees and the employer respectively. The Corporation also contributes to the statutory National Social Security Fund (NSSF). The retirement benefits obligations outstanding as at

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. Special Dividends Payable

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

	2020-2021	2019-2020
	Kshs	Kshs
At the beginning of the year	-	-
Additional declared during the year (special dividend)	-	50,000,000
Paid during the year	-	50,000,000
Balance at end of the year	-	-

33. Notes to The Statement of Cash Flows

	2020-2021	2019-2020
	Kshs	Kshs
(a) Reconciliation of operating profit/ (loss) to cash generated from/ (used in) operations		
Profit or loss before tax	647,836,188	498,995,932
Depreciation	15,702,915	12,471,342
Amortization	16,776,174	10,442,430
(Gain)/loss on disposal of property, plant and equipment	(86,998,665)	87,981,801
Operating profit/(loss) before working capital changes	593,316,612	609,891,505
(Increase)/decrease in trade and other receivables	(901,697,260)	(374,699,656)
Increase/(decrease) in trade and other payables	(4,507,292)	(84,177,560)
Cash generated from/(used in) operations	(312,887,940)	151,014,289
(b) Analysis of changes in loans		
Balance at beginning of the year	906,348,564	391,848,564
Receipts during the year		500,000,000
Repayments during the year	(63,862,664)	
Accrued interest	21,270,235	14,500,000
Balance at end of the year	863,756,135	906,348,564

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

	2020-2021	2019-2020
	Kshs	Kshs
(c) Analysis of cash and cash equivalents		
Short term deposits	724,939,421	1,037,976,990
Cash at bank	19,719,187	14,311,290
Cash in hand	187,160	23,639
Cash balance at Co-op Bank	(22,324,737)	
Balance at end of the year	722,521,031	1,052,311,919

	2020-2021	2019-2020
	Kshs	Kshs
(d) Analysis of interest paid		
Interest on loans	21,270,235	14,500,000
Balance at beginning of the year	14,500,000	-
Balance at end of the year (note 35(b))	29,500,000	14,500,000
Interest paid	6,270,335	-
(e) Analysis of dividend paid		
Balance at beginning of the year	-	-
2019 dividends paid	-	5,880,200
2020 dividends paid	-	50,000,000
2021 interim dividends paid	-	-
Balance at end of the year	-	-

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

34. Related Party Disclosures

Government of Kenya

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

Other related parties include:

- i) The National Treasury
- ii) Ministry of Industrialization, Trade & Enterprise Development
- iii) Investee Companies
- iv) Key management
- v) Board of directors

Transactions with related parties

	2020-2021	2019-2020
	Kshs	Kshs
a) Sales to related parties		
Rent Income from Govt. agencies	61,136,788	62,266,337
Interest income from T-Bills and Bonds	-	12,555,000
Total	61,136,788	74,821,337
b) Purchases from related parties		
Purchases of electricity from KPLC	11,141,399	7,198,823
Purchase of water from govt service providers	3,397,626	3,419,267
Total	14,539,024	10,618,090
c) Key management compensation		
Directors' emoluments	11,121,454	25,426,714
Compensation to key management	50,753,950	50,073,400
Total	61,875,404	75,500,114
d) Advances to other related parties		
Related companies current accounts		
Kenya Wine Agencies Ltd.		
Kenatco Taxis Ltd.	250,000	250,000
Sub Total	250,000	250,000

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

Related companies current accounts		
Kenya Nat. Trading Corporation	400,000	400,000
Kenya Wine Agencies Ltd.	142,500	142,500
Sub- Total	542,500	542,500
Recoverable Expenses from Other Companies		
Kenatco Taxis Ltd.	4,423,262	4,423,262
Funguo Corporate Services Ltd.	7,214,572	7,214,572
Kenya Wine Agencies Ltd.	488,499	488,499
Funguo E-Centre	1,070,007	1,070,007
Rivatex		48,000
Sub- Total	13,196,340	13,244,340
Related companies current accounts		
Development Bank of Kenya Ltd.	(1,995)	(1,995)
Kenatco Taxis Ltd.	10,729,500	10,729,500
Sub- Total	10,727,505	10,727,505
Total	24,716,345	24,764,345
LESS: Provisions on Current A/Cs	(24,840,547)	(24,840,547)
	(124,202)	(76,202)

The Corporation grants advances to companies where they have invested in to finance their operations and working capital requirements.

35. Capital Commitments

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

Amounts authorized and contracted for	38,987,905	24,634,200
Amounts authorizes but not contracted for	62,292,000	137,169,729
Less: Amounts included in Work in progress		
	101,279,905	161,803,929

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

36. Contingent Assets and Liabilities

Contingent Liabilities

	2020-2021	2019-2020
	Kshs	Kshs
Contingent liabilities		
Court cases against the entity	57,724,817	57,724,817
Bank guarantees in favour of subsidiary	37,500,000	37,500,000
Others- Bank guarantees in favour of customers	36,000,000	36,000,000
Total	131,224,817	131,224,817

In the opinion of the directors Ksh.34,798,630 of the above amount is considered likely to crystalize and has been provided for while the balance is considered unlikely to crystalize.

37. Financial Risk Management

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

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

(i) Credit risk

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

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

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

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2021				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	35,130,183,611	2,908,071,098		32,222,112,514
Bank balances	722,521,031	722,521,031		0
Total	35,852,704,642	3,630,592,128	0	32,222,112,514
At 30 June 2020				
Receivables from exchange transactions	-	-	-	
Receivables from non-exchange transactions	34,329,650,819	2,212,340,561	-	32,117,310,258
Bank balances	1,052,311,919	1,052,311,919	-	0
Total	35,381,962,738	3,264,652,480	0	32,117,310,258

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity does not have any significant concentration of credit risk on amounts due from any single customer.

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

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	58,897,535		211,617,518	270,515,054
Current portion of borrowings				
Provisions				
Deferred income			28,203,940	28,203,940
Employee benefit obligation				
Total	58,897,535		239,821,458	298,718,994
At 30 June 2020				
Trade payables	63,860,611		211,311,505	275,172,116
Current portion of borrowings				
Provisions				
Deferred income			28,102,170	28,102,170
Employee benefit obligation				
Total	63,860,611	0	239,413,675	303,274,286

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

b) Foreign currency sensitivity analysis

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

c) Interest rate risk

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

i) Management of interest rate risk

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

ii) Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs.12.2m (2020: KShs.10.4m). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs.61.3m (2020 – KShs.51.9m)

iii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions.

These two types of inputs have created the following fair value hierarchy:

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

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

At 30 June 2021	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
Financial Assets				
Quoted equity investments	2,695,405,311			2,695,405,311
Unquoted equity investments			14,752,470,965	14,752,470,965
Non- financial Assets				
Investment property			4,129,239,954	4,129,239,954
Land and buildings				
	2,695,405,311		18,881,710,919	21,577,116,230
At 30 June 2020				
Financial Assets				
Quoted equity investments	3,945,139,865			3,945,139,865
Unquoted equity investments			14,536,562,903	14,536,562,903
Non- financial Assets				
Investment property			4,123,310,954	4,123,310,954
Land and buildings				
	3,945,139,865		18,659,873,857	22,605,013,722

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

Financial instruments not measured at fair value

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

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iv) Capital Risk Management

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

	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve	15,324,332,981	16,334,572,138
Retained earnings	9,424,745,636	8,833,759,803
Capital reserve	76,104,350	76,104,350
	24,825,182,967	25,244,436,291
Total funds		
Total borrowings	863,756,135	906,348,564
Less: cash and bank balances	(722,521,031)	(1,052,311,919)
Net debt/ (excess cash and cash equivalents)	(141,235,105)	145,963,355
Gearing	3.48%	3.59%

38. Incorporation

The Industrial and Commercial Development Corporation ("the Corporation") is established as a State Corporation under the Industrial and Commercial Development Corporation (ICDC) Act Cap 445.

39. Events After the Reporting Period

Pursuant to Legal Notice No 113 published in the Kenya Gazette on 2nd July 2021, Industrial and Commercial Development Corporation (ICDC), IDB Capital Limited and Tourism Finance Corporation (TFC) were merged to form the Kenya Development Corporation Limited. The legal Notice vested all the assets, liabilities, obligations, property, rights, securities and undertakings of the three institutions in Kenya Development Corporation (KDC) Limited. The business and all activities previously undertaken by ICDC will be undertaken by Kenya Development Corporation after 30th June 2021.

40. Currency

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

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

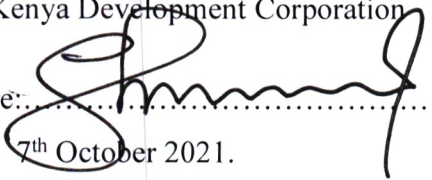
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Unconfirmed Value of Lending Portfolio	All the details regarding the loan book as at 30th June 2019 are available for review including the name of the customer, the amount of loan advanced, the date loan was advanced, the current balance, the security that was offered and the recovery effort made to date. The gross loans as at 30th June 2019 amounted to Ksh.33,284,950,000 while provisions on the loans amounted to Ksh31,470,323,000 giving a net balance of Ksh1,814,627,000. The loans had been provided for in accordance with IFRS 9 but have not been written off from the books and recovery efforts will continue until they are determined to be unrecoverable in which case a recommendation	Resolved	

Industrial and Commercial Development Corporation
Annual Reports and Financial Statements
For the year ended June 30, 2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		for their write off will be made in accordance with the PFMA		
	Unsupported Government Loans and Grants Balances	A loan agreement between ICDC and The National Treasury was signed in December 2020 for a restructured loan of Ksh391,850,000. The agreement specifies the terms of the loan; these being a loan term of 10 years paid monthly and at an interest rate of 3.64% charged on a reducing balance basis. The write back to income of loans and grants amounting to Ksh459,672,000 was made following the approval by Cabinet to restructure the balances as recommended in the Cabinet paper.	Resolved	

Accounting Officer

Christopher Huka
Interim Director General
Kenya Development Corporation

Signature: 

Date: 7th October 2021.