

REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA INDUSTRIAL ESTATES LIMITED

FOR THE YEAR
ENDED 30 JUNE 2017





KENYA INDUSTRIAL ESTATES LTD

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017

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

Kenya Industrial Estates Limited

**Reports and Financial Statements
For the year ended June 30, 2017**

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I. KEY INFORMATION OF KENYA INDUSTRIAL ESTATES LIMITED

Background information

Kenya Industrial Estates Ltd was established as a Limited liability Company under the Companies Act in 1967. At cabinet level, the company is represented by the Cabinet Secretary for Industry, Trade and Cooperatives, who is responsible for the general policy and strategic direction of the company. The entity is domicile in Kenya.

Principal Activities

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

KIE Vision

“To be the Leader in Incubation of and Support Services to Micro, Small and Medium Enterprises in Kenya”.

KIE Mission

“To finance, provide industrial workspace and offer business advisory services to Micro, Small and Medium Enterprises (MSMES) in Kenya”

KIE Core Values

The Company upholds the following values;

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

Directors

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

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

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

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

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

No	Name	Position	Appointment date
1	Rehema D. Jaldesa	Chairperson	Appointed on the 18/03/2016 Resigned on 8 th May, 2017
2	Bob Karina	Director Acting Chairperson	Appointed on the 02/10/2015 Appointed Acting Board Chairperson on the 8 th May, 2017
3	Dr. Parmain ole Narikae	Managing Director	Appointed on 5/9/2016
4	Geoffrey Mwitari	Alternate to the PS, National Treasury	Appointed on 14/10/2015
5	Geoffrey Mulama	Alternate to the PS, Ministry of Industrialisation & Enterprise Development	Appointed on 10/01/2014 Left on 24/11/2016
6	Chebet Alaro Evelyne	Director	Appointed on the 02/10/2015
7	Opiyo Elsie Achieng	Director	Appointed on the 02/10/2015
8	Charles Kigen	Director	Appointed on the 02/10/2015
9	Hezekiah B. Okeyo	Alternate to the PS, State Department for Investment and Industry, Ministry of Industry, Trade and Cooperatives	Appointed on the 25/11/2016

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Ag. Manager Legal Services

Faith Anyango Onyango
P.O. Box 78029-00507
Nairobi. KENYA

Registered Officer

KIE Building
Likoni/ Lusingeti road
P.O. Box 78029-00507
Nairobi, KENYA

Corporate Headquarters

P.O. Box 78029-00507
KIE Limited Building
Likoni/ Lusingeti Road
Nairobi, KENYA

Corporate Contacts

Telephone :(254) 6651348/53
E-mail: admin@kie.co.ke
Website: www.kie.co.ke

Corporate Bankers

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

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Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

Principal Legal Adviser

1.	The Attorney General State Law Office Harambee Avenue P.O. Box 40112 City Square 00200 Nairobi, Kenya
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II. THE BOARD OF DIRECTORS

 <p>1. Bob Karina Acting Chairman, Board of Directors</p>	<p>Bob Karina holds a Master of Science (MSc) in Corporate Finance from the University of Liverpool (UK). He is an accomplished stockbroker, an information technology professional and a successful businessman. He has broad experience in advising institutional and corporate investors, corporate finance consulting and research analysis. He is also the Chairman and Founder of Faida Investment Bank.</p> <p>He joined the Company on the 2nd October, 2015.</p> <p>Date of Birth: 26/06/1952</p>
 <p>2. Dr. Kamau Thugge Principal Secretary, National Treasury Alternate: CPA Geoffrey K. Mwitari</p>	<p>Dr. Kamau Thugge is a distinguished economist with a PhD in Economics from Johns Hopkins University. Dr. Thugge has worked for mainly two organizations before his appointment to The National Treasury as the Principal Secretary. Dr. Thugge started his employment in the International Monetary Fund (IMF); he came back to the Ministry of Finance.</p>
 <p>3. Eng. Patrick Nduati Mwangi Principal Secretary, State Department for Investment and Industry Alternate: Hezekiah B. Okeyo</p>	<p>Eng. Patrick Nduati Mwangi is the Principal Secretary, State Department for Investment and Industry. Eng. Patrick Mwangi has over twenty years of professional experience in Water Sector reforms, Commercial Financing, Sanitation projects and Infrastructure.</p> <p>He joined the Ministry of Industry, Trade and Cooperatives on the 31st March, 2017.</p>
 <p>4. Dr. Parmain ole Narikae Managing Director</p>	<p>Mr. Parmain ole Narikae is the Managing Director. He holds a Doctorate in Business Administration. He also holds an MBA and Bachelor of Science Degree in Business Administration (First class honors) from United States International University. He has wide experience as a career banker having served in senior leadership position as Chief Manager, General Manager and Executive Director in Co-operative Bank and Chase Bank. He is a member of the Institute of Directors.</p> <p>He joined on 5th September, 2016.</p> <p>Date of Birth: 20/12/1963</p>

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 <p>5. Charles Kigen Director</p>	<p>Charles Kigen holds a Bachelor of Commerce degree in Management, an MBA in Strategic Management and an Advanced Diploma in Business Management all from CUEA. He has experience in formulating investment policies and identifying investment opportunities.</p> <p>He joined the Company on the 2nd October, 2015.</p> <p>Date of Birth: 1969</p>
 <p>6. Lucas Kirui Director</p>	<p>Lucas Kirui holds a Diploma in sales and Marketing and has experience in procurement management. He also has experience in Marketing and administration.</p> <p>He joined the Company on the 2nd October, 2015.</p> <p>Date of Birth: 25/06/1973</p>
 <p>7. Opiyo Elsie Achieng Director</p>	<p>Opiyo Elsie holds a Bachelor of Laws degree from Leeds Metropolitan University (UK) and an MA in international studies from the University of Sheffield (UK). She has experience in working in political institutions and environment and managing and implementing democracy and governance programs.</p> <p>She joined the Company on the 2nd October, 2015.</p> <p>Date of Birth: 05/10/1984</p>
 <p>8. Chebet Alaro Evelyne Director</p>	<p>Chebet Alaro holds a Bachelor of Commerce degree in Marketing. She is a Marketing Specialist with over 9 years' experience in Brand Management, Marketing Strategy, Sales Management, Below the Line Consumer Engagement, Client Service and event Management.</p> <p>She joined the Company on the 2nd October, 2015.</p> <p>Date of Birth: 30/03/1983</p>

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	<p>CPA Geoffrey Mwitari holds an MBA in Strategic Management from Moi University. He is a Certified Public Accountant registered with ICPAK and has wide knowledge in government Finance and Accounting. Currently working with the National Treasury, Directorate of Accounting Services.</p>
<p>9. CPA Geoffrey K. Mwitari Alternate Director to Principle Secretary, National Treasury</p>	<p>He joined the Company on the 14th October, 2015.</p> <p>Date of Birth:20/01/1962</p>
	<p>Hezekiah B. Okeyo holds a Master of Business Administration (MBA) in Strategic Management from the Eastern and Southern African Management Institute (ESAMI), Tanzania; Master of Science (MSc) in Environmental Science and Technology from the UNESCO Institute for Environment and Water, Delft, The Netherlands; and Bachelor of Science (BSc) in Industrial Chemistry from the University of Nairobi. He has over 25 years' experience in private sector development and industrial policy/strategy research and analysis. He has represented the Ministry to the Board of Directors of several State Corporations for a period spanning over 15 years.</p>
<p>10. Hezekiah B. Okeyo Alternate Director to PS State Department for Investment and Industry</p>	<p>He joined the Company on the 25th November, 2016.</p> <p>Date of Birth:28/03/1963</p>
	<p>Faith Anyango Onyango holds a Bachelor of Laws (LL.B) Degree from the Moi University together with a Post Graduate Diploma from the Kenya School of Law. She is an Advocate of the High Court of Kenya & currently serving as a member in the Medico-Legal Committee of the Law Society of Kenya. She is currently pursuing her studies in Certified Secretaries (CS). She has experience in Civil Law, Commercial Law, Corporate Law, Health Law, Insurance Law and Conveyancing.</p>
<p>11. Faith Anyango Onyango Ag. Manager, Legal Services</p>	<p>Date of Birth:05/07/1986</p>





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III. MANAGEMENT TEAM

 <p>1. Dr. Parmain ole Narikae Managing Director</p>	<p>Mr. Parmain ole Narikae is the Managing Director. He holds an MBA and Bachelor of Science Degree in Business Administration (First class honour) USIU-A. He has wide experience as a career banker having served in senior leadership position as Chief Manager, General Manager and Executive Director in Co-operative Bank and Chase Bank. He is a member of the Institute of Directors. He joined on 5th September, 2016.</p>
 <p>2. Monica C. Kotut Manager, Corporate Strategy and Planning</p>	<p>Mrs. Monica Kotut, is currently the Manager, Corporate Strategy and Planning. She holds an MBA (HR Option) from Kenyatta University; Bachelor of Arts from Moi University and Higher National Diploma in Human Resource Management from the Institute of Human Resource management (IHRM). She is member of the Institute of Human Resource management. She joined KIE in 1994 as a Projects Officer and rose through the ranks to the current position.</p>
 <p>3. Samuel Chogo Manager, Business Development Services</p>	<p>Samuel Chogo joined KIE in October 1988, after working with the Ministry of Co-operative Development. He holds a Bachelor of Commerce (Finance) degree from the University of Nairobi and a Master's degree in Business Management (Finance) from Moi University. He has served in the organization in various capacities and is currently the Business Development Manager.</p>
 <p>4. Faith Anyango Onyango Ag. Manager, Legal Services</p>	<p>Faith Anyango Onyango holds a Bachelor of Laws (LL.B) Degree from the Moi University together with a Post Graduate Diploma from the Kenya School of Law. She is an Advocate of the High Court of Kenya & currently serving as a member in the Medico-Legal Committee of the Law Society of Kenya. She is currently pursuing her studies in Certified Secretaries (CS). She has experience in Civil Law, Commercial Law, Corporate Law, Health Law, Insurance Law and Conveyancing.</p>
 <p>5. CPA Charles M. Mativo Finance Manager</p>	<p>CPA Charles Mativo is an Accountant by profession and holds a Bachelor of Commerce degree from KCA University. He is a Certified Public Accountant CPA (K) and is a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He has experience in Accounting and Finance. He joined the company in 1985.</p>



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 <p>6. Joseph K. Tele Manager, Industrial Estates Development & Incubations services</p>	<p>Mr Joseph K. Tele holds Masters of Business administration degree from Kenyatta University and Bachelor of Commerce Degree in Accounting and Auditing from University of Poona. He is currently pursuing masters of management and leadership degree at MUA. He joined KIE in 1987 as a projects Accountant and has previously held various management positions as Finance manager and Credit Risk Manager. Mr Tele also currently serves as Chairman, Board of Governors, Nairobi Technical Training Institute.</p>
 <p>7. Matilda Mwachia Manager, Human Resources & Administration</p>	<p>Ms. Matilda Mwachia holds an MBA (Strategic Management); a Bachelor of Business Administration in Human Resource and a Diploma in Human Resource Management. She is experienced in Human Resource management having worked with TSC for over (10) years before joining the Company in the year 2012.</p>
 <p>8. Reginald Kimanthi Manager, Operations</p>	<p>Mr. Reginald Kimanthi is an economist by profession and holds a BA in Cooperative Management from Kenyatta University. He joined KIE in 1986 as a Projects Officer and rose through the ranks to his current position as the Manager, Operations.</p>
 <p>9. Clifford Otieno Obiewa Manager, Risk Management</p>	<p>Mr. Clifford Obiewa is the Manager, Risk Management. He holds a Bachelor of Science Degree in Computer Science from Moi University and is currently pursuing an MBA in Finance. He is a Certified Predictive Analytics Specialist & a Certified Operational Risk Practitioner among several other trainings in Credit Risk Management. He previously worked for Ecobank Kenya Ltd, Housing Finance Group & Commercial Bank of Africa at middle level management prior to joining KIE on 2nd June, 2017.</p>

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 <p>10. Rosemary Kalui Manager, Special Projects</p>	<p>Ms. Rosemary Kalui holds a Bachelors Degree of Science, Business Administration, from University of East Africa Baraton; Diploma in Appraisal, Monitoring and Evaluation of Small and Micro-Enterprise Development Programmes- Durham University Business School(UK). She also has a Higher Diploma in Counselling from Kenya Association of Professional Counsellors. She has vast experience in staff training, project appraisal and monitoring and evaluation. She was instrumental in the setting up the Business Development and Group guarantee scheme in KIE. She has served in various Management and Counselling positions in the organization prior to her appointment as Manager, Special Projects.</p>
 <p>11. Vivian Wawasi Manager, ICT</p>	<p>Ms. Vivian Wawasi holds a Bachelor's Degree in ICT from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and currently pursuing MSc in Project Management from the same University. She has vast experience in Project Management and Database Administration. She has been instrumental in the implementation of ICT projects in the organization. She joined the organization in 2010 as an ICT project Manager and rose to her current position.</p>
 <p>12. CPA Teobard Mugo Manager, Internal Audit</p>	<p>CPA Teobard Mugo is an Accountant by profession and holds a Bachelor of Commerce degree from KCA University. He is a certified public accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He is in charge of the Internal Audit Department. He joined the company in 1994.</p>

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IV. CHAIRPERSON'S STATEMENT



It is my pleasure to present to you the Financial Year 2016/2017 Annual Report and Financial Statements for Kenya Industrial Estates Limited. For the period, the company realized significant growth in delivering on its mandate whose focus is to champion the development of Micro Small and Medium Enterprises (MSMEs) throughout the country with specific focus on clustering of industries, rural industrialization and value addition to locally available raw materials as envisaged in the country's Vision 2030 blue print.

Business Environment

Globally, economic growth decelerated to 2.9 per cent in 2016 compared to a revised growth of 3.1 per cent in 2015. The sub-Saharan Africa's real gross domestic product is estimated to have grown by 1.5 percent in 2016 compared to 3.8 per cent growth registered in 2015. Kenya's Gross Domestic Product is estimated to have expanded by 5.8 per cent in 2016 compared to a revised growth of 5.7 per cent in 2015. Accommodation and food services recorded improved growth of 13.3 per cent in the year under review compared to a contraction of 1.3 per cent in 2015. The other sectors that registered significant improved performance in economic activities were in the information and communication, real estate, and, transport and storage.

The overall annual inflation eased slightly to 6.3 percent in 2016 from 6.6 per cent in 2015. This was mainly due to decline in prices of transportation; housing and utilities; and communication. The capping of interest rate to maximum of 4.0 per cent above the central bank rate resulted in a significance decline in interest rates during the month of September 2016 to 13.4 per cent compared to 16.75 in a similar month in 2015. Domestic credit slowed from a growth of 20.8 per cent in 2015 to 6.4 per cent in 2016 mainly on account of a decline in credit to the private sector.

The Micro, Small and Medium Enterprises (MSMEs) Sub-Sector

The Kenya Vision 2030 recognizes the central role played by the manufacturing sector in the realization of the goal of making Kenya a newly industrialized middle income country by the year 2030. The sector registered a favorable performance within the period although the cost of borrowing curtailed the *availability of cheap credit to finance the sector*. The sector registered a growth of 3.5 per cent in 2016 compared to a revised growth of 3.6 per cent in 2015. There was a decline on loans advanced to the sector by 4.6 per cent from KSh 290.9 billion in 2015 to KSh 277.4 billion in 2016. In addition, there was a decline in financing of projects approved by industrial financial institutions by 5.3 per cent from KSh 1.14 billion in 2015 to KSh 1.08 billion in 2016.

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The development and promotion of MSMEs has been identified as a critical engine to propel the country's industrialization process. MSMEs have the potential to achieve rapid economic growth, while generating a considerable extent of employment opportunities.

Business Performance

In year 2016/2017 Financial Year, KIE incubated MSMEs by providing affordable credit/loan facilities to the tune of KShs 269.1million benefiting 436 enterprises, provided industrial workspace/incubators to 204 enterprises, and built the capacity of 34,576 MSMEs through training on entrepreneurship skills. The organization also facilitated linkages between 266 SMEs and large enterprises within and across sectors. Through this multipronged approach, the company supported MSMEs in textile and garments, furniture and wood, food processing and construction creating 14,920 direct and indirect jobs. These achievements were realized despite of the challenges the company encountered within the period.

Transformation Agenda

In the period under review the organization continued with its transformation agenda as envisioned in the strategic plan 2013-2018 whose theme is 'Scaling up Operations and Broadening Outreach in Line with Vision 2030 Aspirations'. Our key strategic objective during this period included:- Scaling up company operations in line with Vision 2030 aspirations; Enhancing profitability and financial sustainability of the organization; Enhancing efficiency and effectiveness in service delivery; Enhancing institutional capacity; and Enhancing the company's corporate image.

Appreciation

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

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

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

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



**BOB KARINA
ACTING CHAIRPERSON, BOARD OF DIRECTORS**

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V. REPORT OF THE CHIEF EXECUTIVE OFFICER



It is my great delight to present to you the company Annual Report for the year ended 30th June 2017. This was a great year as the company got new leadership both at the Board and office of the Managing Director.

I am very happy to report that the company coped with challenges encountered during the year under review to realize its mandate of promoting Industrialization in Kenya through the provision of quality and competitive industrial infrastructure, financial products and business development services.

Business Performance

The company recorded an improved performance in operations in the year 2016/2017 compared to Kshs. 183.1 Million in 2015/2016. Disbursement of loans to MSMEs was Kshs 269.1 million in 2016/17. The number of entrepreneurs trained on business and entrepreneurship skills increased by 9.9% from 31,453 in 2015/2016 to 34,576 entrepreneurs trained in the period under review.

The institution facilitates MSMEs to access machinery, raw materials and markets for their finished products. This is achieved through facilitation of backward and forward linkages between MSMEs and Large Enterprises together with suppliers and market distribution chains within and across sectors. During the financial year under review, the institution facilitated 266 linkages compared to 222 linkages the previous year. The linkages were mainly in the areas of machinery/equipment acquisition both locally and internationally. In addition, access to markets is also facilitated through shows, exhibition and direct linkage with buyers. In the period under review KIE created 14,920 direct and indirect jobs compared to 9,023 in the previous year.

On financials, the company recorded a loss of Kshs. 125.9 Million in 2016/2017 compared to a loss of Kshs. 173.5 Million in the previous year. The improvement was attributed to increase in Government grant for recurrent expenditure and improved interest, and rent collection. On the balance sheet, the company's property and equipment increased to Kshs. 1,190.7 Million compared to Kshs.1, 184.3 Million in the previous year. Investment property stood at Kshs.577.4 Million compared to Kshs. 575.8 Million in the last financial year. Advances and loans were 705.5 Million compared to Kshs. 677.1 Million for same period in the last financial year. Overall, the total assets of the company as at 30th June, 2017 amounted to Kshs. 3,287.5 Million compared to Kshs.3, 121.0 Million as at 30th June, 2016.

A handwritten signature in black ink that reads "Parmain Ole Narikae". The signature is written in a cursive, flowing style.

**DR. PARMAIN OLE NARIKAE
MANAGING DIRECTOR**

VI. CORPORATE GOVERNANCE STATEMENT

Corporate governance refers to the mechanisms, relations and processes by which a corporation is controlled and directed. It involves balancing the many interests of the stakeholders of a corporation.

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

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

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

The Company has a Board Charter which sets out the roles, composition and responsibilities of the Board of Directors.

The Board of Directors

The Board of Directors is the highest governing body of the Company. The Board is appointed within the provisions of Section 6 (1) (e) of the State Corporations Act. The Board exercises leadership, enterprise integrity and judgement in directing the Company so as to achieve continuing prosperity for the Company and its shareholders. It at all times acts in the best interests of the Company in a manner based on transparency, integrity, accountability and responsibility. Removal of the members of the Board is done in accordance with the provisions of Section 7 of the State Corporations Act or by resignation.

Role and Functions of the Board

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

1. Determining the business strategies, plans and policies that underpin the corporate strategy;
2. Discussing and approving strategic plans, policies and annual budgets;
3. Continually monitoring the exercise of delegated power by management;
4. Ensuring that a comprehensive system of policies and procedures is in place and that appropriate governance structures exist to ensure the smooth, efficient and prudent stewardship of the Company;
5. Identifying and reviewing key risks, opportunities and strengths relating to the Company;

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6. Ensuring that the company's organisational structure and capability are appropriate for implementing the chosen strategies;
7. Setting policies on internal control and obtaining regular assurance that the system is functioning effectively and is effective in managing risks;

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

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

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

Board Committees:

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

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

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

Finance and Investment Committee

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

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

1. Chebet Alaro Everlyne - Chairperson
2. Lucas Kirui
3. Charles Kigen
4. Hezekiah B. Okeyo (Alternate to the PS, State Department for Investment & Industry)
5. Geoffrey Mwitari (Alternate to the PS National Treasury)

Audit Committee

This is an oversight Committee of the Board. The Committee assists the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparations of accurate financial reporting and statements in compliance with all applicable legal

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requirements and accounting standards. The Committee reviews and assess the integrity of the risk control systems and ensure that the risk policies and strategies are effectively managed.

The membership of the Audit Committee is comprised as follows:

1. Opiyo Elsie Achieng - Chairperson
2. Charles Kigen
3. Lucas Kirui
4. Hezekiah B. Okeyo (Alternate to the PS, State Department for Investment & Industry)
5. Bob Karina

Human Resource and Legal Committee

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

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

1. Bob Karina- Chairperson
2. Chebet Alaro Everlyne
3. Elsie Achieng Opiyo
4. Geoffrey Mwitari (Alternate to the Principal Secretary, The National Treasury)

Board Meetings

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

The Notice and Agenda and detailed Board Papers of meetings are circulated on a timely basis to ensure that the directors receive accurate, timely and clear information to enable it discharge their duties. The Board held 17 meetings during the year under review and the attendance was as follows:

Name Of Non-executive Director	No. of meetings in the year 2016/17	No. of meetings attended	% Attendance
Rehema Jaldesa	17	16	94
Bob Karina	17	17	100
Elsie Opiyo	17	17	100
Geoffrey Mulama	9	9	100
Geoffrey Mwitari	17	16	94
Charles Kigen	17	17	100
Lukas Kirui	17	17	100
Hezekiah Okeyo	7	6	86

Mr. Hezekiah Okeyo joined the Company in November, 2016 hence the number of meetings attended. He replaced Geoffrey Mulama as the alternate to the PS State Department for Investment & Industry.

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Board Remuneration

Board members are remunerated for their services in accordance with the relevant legislative provisions and/or guidance from the State Corporations Advisory Committee. Details of Directors emoluments during the year are shown on page 28. Directors are entitled to sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided) accommodation allowance and mileage reimbursement where applicable within set limits of state corporations. Additionally, the Chairman is paid a monthly honorarium.

Directors Shareholding

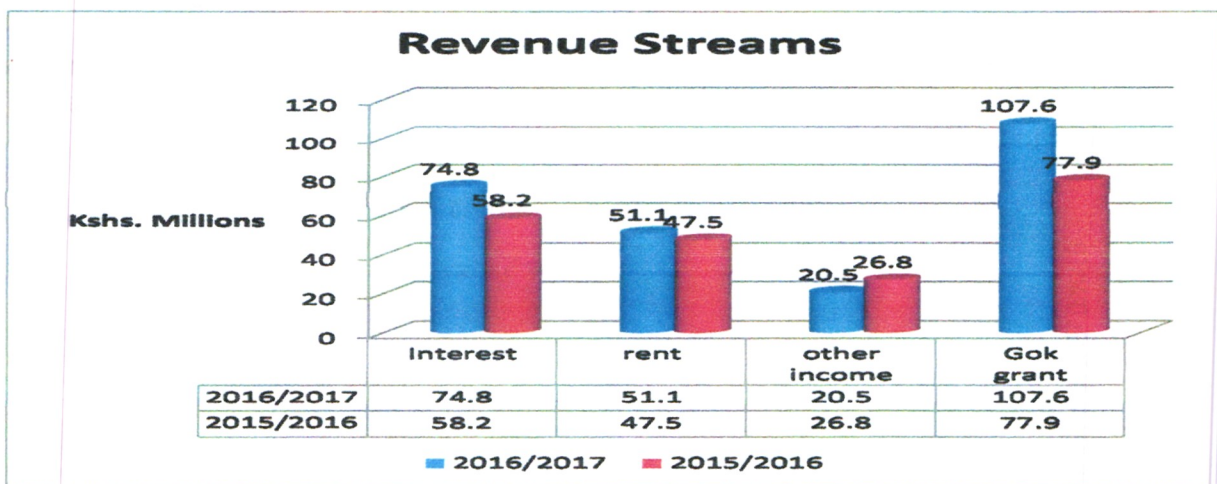
None of the Directors owns shares in the Company in their individual capacity.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

1. Financial Performance

a) Pre-tax

During the 2016/2017 Financial Year, The Company posted a loss of Kshs.125.9 Million. This was a 27.4% improvement in performance when compared to a loss of Kshs.173.5 Million in 2015/2016. The company recorded an improvement in most of the income streams when compared 2015/2016 Financial Year. Interest income increasing by 28.5 % to 74.8 Million compared to interest income of Kshs. 58.2 Million in 2015/2016. Rent income improved by 7.6 % to Kshs.51.1 Million compared to Kshs.47.5 Million recorded in the previous year. Government grant for recurrent expenditure was increased by 38.1% to Kshs.107.6 Million compared to a recurrent grant of Kshs.77.9 Million in the previous year. However, other incomes declined by 23.5% to Kshs.20.5 Million compared to other incomes of Kshs. 26.8 Million in the previous year. The Company recorded a Return on Investment of (3.8%) in 2016/17 compared to Return on Investment of (5.6%) in 2015/2016. The growth in revenue is graphically shown demonstrated below:



The company’s operating expenditure for the period under review decreased slightly to Kshs 359.5 million compared to operating expenditure of Kshs 369.1 million in the previous year.

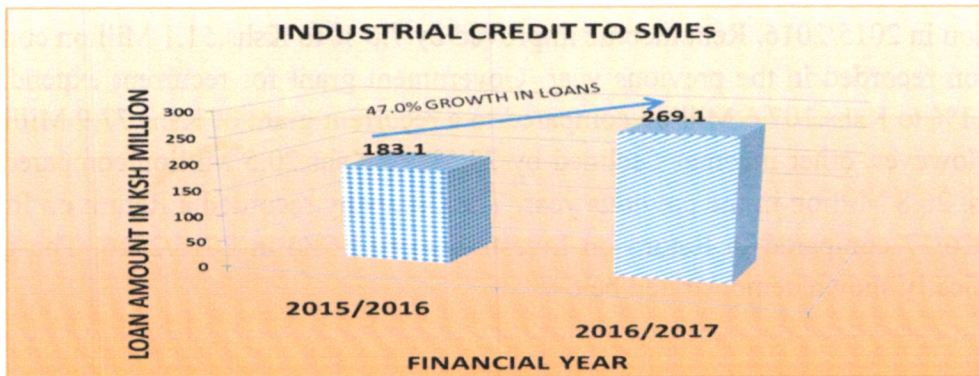
b) Company Financial Position

The company total assets as at 30th June, 2017 stood at Kshs. 3.29 Billion which was a 5.4% growth from an asset base of Kshs. 3.12 Billion as at 30th June, 2016. The company current liabilities amounted to Kshs. 1.56 Billion compared to current assets amounting to Kshs.0.256 Million. This compared the same with the previous year when company current liabilities amounted to Kshs.1.58 Billion and current assets amounted to Kshs.0.121 Million. This financial position continues to be a challenge to the organization because it makes it difficult to access other forms of financing other than from the Government, hampering the organizations ability to fully fulfil its mandate. The organization is working with the parent Ministry to restructure its balance sheet and make it attractive.

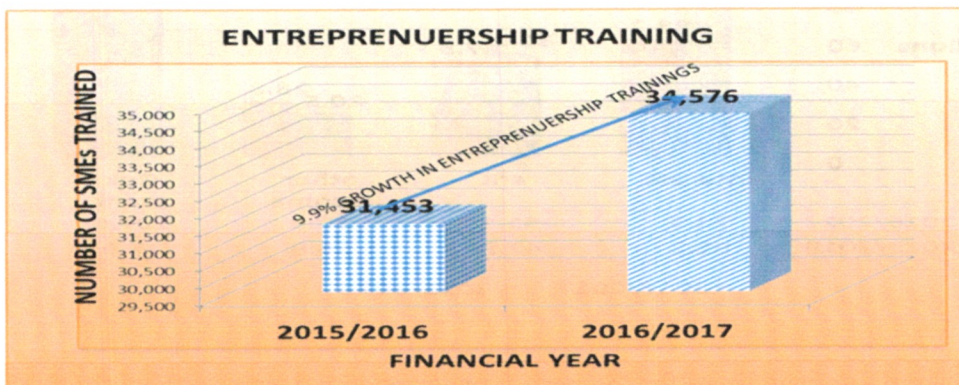
2. Operations

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

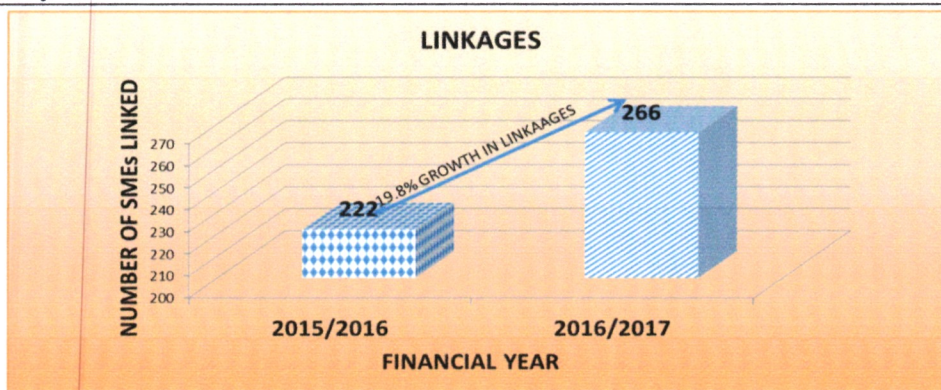
a) Credit to SMEs: For the period under review, the company recorded 47.0% growth in amount of credit offered SMEs to a tune of Kshs. 269.1 million compared to Kshs.183.1 Million in 2015/2016 Financial Year.



b) Entrepreneurship Training: For the period under review, the company recorded 9.9% growth in number of SMEs trained to 34,576 SMEs across the country compared to 31,453 trained in 2015/2016 Financial Year.



c) Linkages: For the period under review, the company recorded 19.8% growth in linkages of SMEs to large enterprises, market and suppliers of machinery. The company linked 266 SMEs compared to 222 linkages in the previous year.



3. Key projects and investment being implemented by KIE

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

Credit to Small and Medium Enterprises (SMEs)

This project aims at providing affordable medium to long-term credit to SMEs in the manufacturing sector which is core to the country vision of becoming a newly industrialized, globally competitive and prosperous middle income country by year 2030. The total project cost is estimated at Kshs.3.35 Billion and is being implemented over three financial years up to 2019/2020. The expected outputs of the project are: Disbursement of Kshs.3.35 Billion to SMEs, Creation of 9,249 new enterprises, Creation new 46,205 direct jobs and Creation of over 231,000 indirect jobs. Other benefits of the project are: Stimulating rural industrialization, Wealth Creation, Equitable distribution of wealth, Support to Youth and Women, Value addition to local raw materials and increase in contribution to government taxes by SMEs.

Under the same programme, the company is constructing a SME Incubation Centre in Nairobi. The sub-project aims at providing affordable workspace to SMEs in the Manufacturing sector. The sub-project is 95% complete and will be ready for occupation in 2017/2018. When complete, its will have 30 incubators, will create 30 new enterprises, 300 new direct jobs and 1,500 indirect jobs.

4. Major risks facing the entity

The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The major risks for the company are credit, liquidity market and operational risk.

a) Credit Risk Management

Credit risk refers to the risk that customers will default on their contractual obligations resulting in financial loss to the company. The company's credit risk is primarily attributable to liquid funds and loans advanced to customers. The company credit risk attributable to liquid funds is low because the counter parties are banks with high reputation. Credit risk attributable to loans is managed through a framework that sets out policies and procedures covering its measurement and management. The company has ensured clear segregation of duties between transaction originators in the business (Filed officers and Business Development) and approvers in the Risk Function. All credit exposure limits are

Kenya Industrial Estates Limited

Reports and Financial Statements

For the year ended June 30, 2017

approved within a defined credit approval authority matrix. The company also manages its credit exposures through the principle of diversification across products, geographical locations, industries and client segments. Potential credit losses from any given account, client or portfolio are mitigated using a range of tools such as collateral, credit insurance and guarantees.

b) Liquidity Risk Management

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. KIE's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due through maintaining banking facilities and by continuous monitoring of forecasts and actual cash flows.

c) Market Risk Management

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

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

d) Operational Risk

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

5. Material arrears in statutory/financial obligations

As at 30.06.2017, the company had long-outstanding financial obligations which arose due to budgetary constraints and legal disputes arising from some contracts. The company has been settling these obligations through negotiated instalments while for those in court, the company will await the court decision. The most significant obligations were: Kshs.12.3 Million in relation to construction of SME parks, Kshs.1.54 Million unrespect of PAYE, Kshs 0.819 owed to the provident fund, Kshs.21.0 Million owed to Youth Enterprise Development Fund (YEDF), Kshs. 3.46 Million in respect of Tax arrears and Kshs. 5.7 Million in respect of security services. The company also owes Kshs.1.399 Billion to the Government of Kenya and some International Financial Institutions with Government guarantee. The company is consulting the Parent Ministry and National Treasury on how to restructure the company Balance Sheet to eliminate the Government and External loans from its books.

6. Entity's compliance with statutory requirements

The company has complied with all the statutory requirements that apply to it.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Corporate Social Responsibility (CSR) is an integral part of our business strategy. As a company we have been able to grow as a business due to good will from the communities that we operate within. We see enterprise development as an important step towards alleviating poverty through wealth and employment creation. We have always believed KIE can – and should – have a positive impact on the communities we serve.

KIE recognises that it has responsibilities to all stakeholders, including the interests of employees and their families, the need to foster the KIE's business relationships with partners, customers, suppliers and others; and the impact of the company operations on the local communities and surrounding environment where it operates.

KIE is dedicated to supplying products of the highest quality to meet its customers' requirements in a manner that is consistent with high environmental and ethical standards. KIE makes a contribution to local charities and communities in areas where it operates its business.

Towards this, the company planted trees at its office compound in Nairobi, North Rift and Coast regions. This is to mitigate the impacts of industrial activities on nature and consequently weather behaviour and patterns.

Kenya Industrial Estates Limited
Reports and Financial Statements
For the year ended June 30, 2017

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the company's affairs.

Principal activities

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

Results

The results of the company for the year ended June 30, 2017 are set out on page 28.

Dividends

The Directors do not recommend dividends.

Directors

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

Auditors

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

By Order of the Board



Charity Ndeke
Acting Manager, Legal
Nairobi

Date 23-07- 2018

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA INDUSTRIAL ESTATES LIMITED FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Industrial Estates Limited set out on pages 28 to 77, which comprise the statement of financial position as at 30 June 2017, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the 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 the Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and the explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the 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 Kenya Industrial Estates Limited as at 30 June 2017, 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 Companies Act, 2015.

In addition, as required by Article 229(6) of the Constitution, except for the matter described in the Other Matter section of my report, based on the procedures performed, I confirm that nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Financial Performance of the Company

During the year under review, the Company reported a loss before tax of Kshs.125,109,000 (2015/2016: loss of Kshs.174,030,000) which brought the cumulative reserves to a negative balance of Kshs.2,948,028,000. In addition, the statement of financial position as at 30 June 2017 reflects total current liabilities of Kshs.1,564,251,000 against total current assets of Kshs.256,490,000 resulting in a negative working capital of Kshs.1,307,761,000. As reported in previous years, the company is technically insolvent and its existence as a going-concern is dependent upon continued support by the National Government and creditors.

Report of the Auditor-General on the Financial Statements of Kenya Industrial Estates Limited for the year ended 30 June 2017

2. Trade and Other Receivables

2.1. Staff Receivables

The trade and other receivables balance of Kshs.36,098,000 as at June 2017 includes an amount of Kshs.3,861,290 being staff advances and imprests. A sum of Kshs.2,171,247 included in the balance relates to advances and imprests for staff who have since left the Company's service.

In the circumstance, it has not been possible to determine whether the long outstanding staff advances and imprests totalling Kshs.3,861,290 are wholly recoverable.

2.2. Non-movement of Trade Receivables

The trade and other receivables balance as at 30 June 2017 includes sundry debtors totalling to Kshs.18,621,631 out of which debts amounting to Kshs.13,805,486 did not record any decrease from the respective balances shown in the previous financial year's financial statements. No explanation has been provided by management why these long outstanding balances are carried forward from year to year without being recovered or appropriate action taken against the debtors.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am Independent of the Kenya Industrial Estates Limited in accordance with ISSAI 30 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 of my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement are of most significance in the audit of financial statements. Except for the matter described in the Basis for Qualified Opinion and Other Matter sections of my report, there were no Key Audit Matters to communicate in my report.

Other Matter

Installation of Biometric System

As similarly reported in the previous year, the Company on 23 November 2012 entered into a contract with a local firm at a sum of Kshs.8,918,688 for delivery, installation and commissioning of a biometric system. Further, the contracted company was to configure the access control software and all the required reports including attendance reports. Although the system was installed paid for and captured in the Company's records as office equipment purchased, a visit to the head office and some branches revealed that the system may not be meeting its purpose because its entry and exit doors remain open at all times and as a result, access to the Company's Offices is not restricted. Further, whereas the system was intended to

provide reports on staff attendance at work, it is, as installed, not foolproof because it is possible for staff to clock in for work and walk out immediately without clocking out and come back to clock out at the close of business each day. Therefore the effectiveness of the system relies on the integrity and honesty of the Company's staff rather than its own inbuilt control features which it lacks.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to sustainability of services and using the going-concern basis accounting, unless the management intends to liquidate the Company or cease operations or have no realistic alternatives but to do so.

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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Company's 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 Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

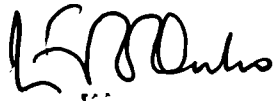
I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act 2015, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;

- ii. in my opinion, adequate accounting records have been kept by the Company so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

20 September 2018

Kenya Industrial Estates Limited

**Reports and Financial Statements
For the year ended June 30, 2017**

XII. STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME

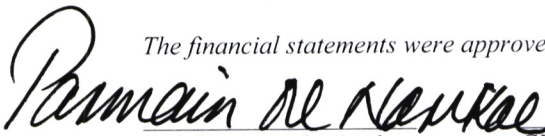
	Note	2017 Kshs'000	2016 Kshs'000
REVENUES			
Interest Income	1	74,817	58,193
Grants from National Government	2	107,600	77,866
Rent Income	3	51,072	47,512
Gains on Disposal of Non-Financial Assets	4	-	1
Commissions & Charges	5	11,279	9,970
Other Income	6	9,249	16,829
TOTAL REVENUES		254,017	210,371
OPERATING EXPENSES			
Administration Costs	7(a)	92,042	115,227
Staff costs	7(b)	211,353	197,919
Directors Emoluments	7(c)	14,485	10,986
Amortization & Depreciation	15-17	41,659	44,927
TOTAL OPERATING EXPENSES		359,539	369,059
OPERATING PROFIT/ (LOSS)	8	(105,522)	(158,688)
Finance Income	9	1,776	7
Finance Costs	10	(27,033)	(27,144)
LOSS BEFORE PROVISIONS		(130,779)	(185,825)
Add Provision for bad debts Write back	11	5,670	11,795
LOSS BEFORE TAXATION		(125,109)	(174,030)
Taxation (Tax Charge)	12	(824)	530
LOSS AFTER TAXATION		(125,933)	(173,500)
Earnings per share – basic and diluted	13	(31)	(43)
Dividend per share	14	-	-


Kenya Industrial Estates Limited
Reports and Financial Statements
For the year ended June 30, 2017

XIII. STATEMENT OF FINANCIAL POSITION

	Note	2017 Kshs'000	2016 Kshs'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	15	1,190,688	1,184,267
Leasehold Land	16	513,344	518,516
Intangible assets	17	23,141	27,248
Investment property	18	577,360	575,848
Unquoted investments	19	11,200	11,200
Staff receivables due after one year	22(b)	9,718	5,642
Loans	20	705,509	677,118
Total Non-Current Assets		3,030,960	2,999,839
Current Assets			
Inventories	21	5,369	5,402
Trade and other receivables	22(a)	36,098	41,155
Bank and cash balances	23	215,023	74,625
Total Current Assets		256,490	121,182
Total Assets		3,287,450	3,121,021
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	24	80,277	80,277
Capital Reserves	25	1,607,059	1,420,098
Capital and Reserves		1,687,336	1,500,375
Non-Current Liabilities			
Borrowings	26	-	-
Deferred Tax Liability	34	35,863	35,305
Total Non-Current Liabilities		35,863	35,305
Current Liabilities			
Borrowings	26	1,422,450	1,403,417
Trade and other payables	27	128,342	165,973
Provision for leave pay	29	13,442	8,271
Bank overdraft	23	17	7,680
Total Current Liabilities		1,564,251	1,585,341
TOTAL EQUITY AND LIABILITIES		3,287,450	3,121,021

The financial statements were approved by the Board on 23-07-2018 and signed on its behalf by:


DR. Parmain ole Narikae
Managing Director


CPA Anthony Mwai
Acting Finance Manager
ICPAK No.13566


Bob Karina
Acting Chairman of
the Board of Directors

Kenya Industrial Estates Limited

**Reports and Financial Statements
For the year ended June 30, 2017**

XIV. STATEMENT OF CHANGES IN EQUITY

Kshs'000

	Ordinary share capital	Capital Reserve	Disposal of Sheds	Irredeemable Loans	GOK	Revaluation reserve	Grants	Retained earnings	Total
At July 1, 2015	80,277	22,523	68,637	190,257	190,257	838,405	2,860,265	(2,432,952)	1,627,412
Government grant							225,000		225,000
Transfer to Retained Profit								(178,537)	(178,537)
Total comprehensive Loss								(173,500)	(173,500)
At June 30, 2016	80,277	22,523	68,637	190,257	190,257	838,405	3,085,265	(2,784,989)	1,500,375
At July 1, 2016	80,277	22,523	68,637	190,257	190,257	838,405	3,085,265	(2,784,989)	1,500,375
Government grant							350,000		350,000
Prior Year Adjustments:									
Loan Provisions								(38,523)	(38,523)
Other Adjustments								1,417	1,417
Transfer to Retained profit (Loss)								(125,933)	(125,933)
At June 30, 2017	80,277	22,523	68,637	190,257	190,257	838,405	3,435,265	(2,948,028)	1,687,336

Kenya Industrial Estates Limited

**Reports and Financial Statements
For the year ended June 30, 2017**

XV. STATEMENT OF CASH FLOWS

	Note	2017 Kshs'000	2016 Kshs'000
OPERATING ACTIVITIES			
Cash generated from/(used in) operations	30(a)	(152,707)	(130,588)
Interest received	9	1,776	7
Interest paid	26(b)	-	-
Net cash generated from/ (used in) operating activities		(150,931)	(130,581)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15	(41,583)	(28,846)
Proceeds from disposal of property, plant and equipment		-	1
Levies on Leasehold Land	16	(-)	(-)
Purchase of intangible assets	17	(-)	(-)
Purchase of investment property	18	(1,425)	(467)
Net cash generated from/ (used in) investing activities		(43,008)	(29,312)
FINANCING ACTIVITIES			
GOK Development Grant		350,000	225,000
Repayment of borrowings	26(a)	(8,000)	(16,000)
Net cash generated from/ (used in) financing activities		342,000	209,000
INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		148,061	49,107
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	30(b)	66,945	17,838
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	30(b)	215,006	66,945

Note: Disclosure on changes in Financing Cash flow is on note 30(c)

Kenya Industrial Estates Limited

**Reports and Financial Statements
For the year ended June 30, 2017**

XVI. STATEMENT OF BUDGET AND ACTUAL COMPARISON

	Budget	Actual	Variance	Percentage (%)	Explanation of material variances
	Cumulative to date	Cumulative to date			
Revenue	Shs'000'	Shs'000'	Shs'000'		
Interest Income	70,000	74,817	4,817	7%	
Grant from National Govt	107,600	107,600	-	0%	
Rent Income	52,247	51,072	(1,175)	(2)%	
Other Income	26,558	20,528	(6,030)	(23)%	(a)
Provision write Backs	20,000	11,376	(8,624)	(43)%	(b)
Finance Income	-	1,776	1,776	-	
Tax Credit	-	-	-	-	
Total income	276,405	267,169	(9,236)	(3)%	
Expenses					
Electricity and Water	3,509	3,869	(360)	(10)%	
Communication services & Supplies	10,460	10,727	(267)	(3)%	
Transport, Travelling & Subsistence	21,740	16,325	5,415	25%	(c)
Advertising, Printing & Stationary & Photocopying	16,844	10,641	6,203	37%	(d)
Rent and Rates Expenses	8,131	2,783	5,348	66%	(e)
Hospitality and Supplies	300	236	64	21%	(f)
Insurance costs	11,100	12,111	(1,011)	(9)%	
Bank Charges	1,830	2,048	(218)	(12)%	(g)
General Expenses	7,380	6,783	597	8%	
Auditors' Remuneration	700	628	72	10%	
Legal Fees	4,000	1,833	2,167	54%	(h)
Consultancy Fees	11,720	5,723	5,997	51%	(h)
Repairs and Maintenance	5,500	2,558	2,942	53%	(i)
Other operating expenses	20,000	15,777	4,223	21%	(j)
Staff Costs	236,738	211,353	25,385	11%	
Directors' Emoluments	16,000	14,485	1,515	9%	
Amortization and Depreciation	44,997	41,659	3,338	7%	
Finance Cost	27,600	27,033	567	2%	
Provision write off	2,000	5,706	(3,706)	(185)%	(k)
Tax charge	-	824	-	-	
Total expenditure	450,549	393,102	58,271	13%	
Net Profit / Loss for the Period	(174,144)	(125,933)	48,211	28%	

EXPLANATORY NOTES TO MAJOR VARIANCES

- (a) Other Income -This was as a result of low business development activities during the year.
- (b) Provision write back - This was due to less provisions write-backs than anticipated.
- (c) Transport, traveling and subsistence - The positive variance was due to better management of cost (transportation), hence reduction in cost.
- (d) Advertising, Printing & Stationary & Photocopying -The positive variance was due to reduction in printing and advertising costs.
- (e) Rent and Rates -The positive variance was as a result of less billing of land rates by the counties during the year.
- (f) Hospitality - The positive variance was due to less entertainment activities during the year.
- (g) Bank charges- Due to high cost of bank commissions and charges than anticipated
- (h) Legal and Consultancy Fee - The positive variance was due to savings arising from alternative dispute resolution mechanisms such as negotiated settlements.
- (i) Repairs and Maintenance - The positive variance was as a result of less repair and maintenance.
- (j) Other Operating expenses - This include majorly the security expenses. The positive variance was as a result of immense reduction in security cost through cost austerity measures during the year.
- (k) Provision for write off - The negative variance was as a result of higher number of write-offs of loans during the year than anticipated.

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XVII. NOTES TO THE FINANCIAL STATEMENTS

(A) GENERAL INFORMATION

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

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

(B) STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

(C) ADOPTION OF NEW AND REVISED STANDARDS

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard/Amendment to a standard	Effective date	Impact
IFRS 14 <i>Regulatory Deferral Accounts (issued in January 2014)</i>	1 st Jan 2016	The new standard, effective for annual accounting periods beginning on or after 1 January 2016, defines a regulatory deferral account balance and allows entities to continue to apply their existing policy for regulatory deferral account balances, but requires certain

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Standard/Amendment to a standard	Effective date	Impact
		disclosures. <i>Adoption of the new standard has no impact on the Financial Statements of the entity.</i>
Amendments to IFRS 11 titled <i>Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014)</i>	1 st Jan 2016	The amendments, require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to apply all of the business combinations accounting principles and disclosure in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured). <i>The amendment to the IFRS has no impact on the Financial Statements of the entity.</i>
Amendments to IAS 16 and IAS 38 titled <i>Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014)</i>	1 st Jan 2016	The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances. <i>The amendment to the IASs did not have an impact on the Financial Statements of the entity since it did not use revenue base method to calculate depreciation.</i>
Amendments to IAS 16	1 st Jan 2016	The amendments, define bearer plants – i.e.

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Standard/Amendment to a standard	Effective date	Impact
and IAS 41 titled <i>Agriculture: Bearer Plants (issued in June 2014)</i>		living plants which are used solely to grow produce over several periods and usually scrapped at the end of their productive lives (e.g. grape vines, rubber trees, oil palms) - and include them within IAS 16's scope while the produce growing on bearer plants remains within the scope of IAS 41. <i>The amendment to the IAS did not have an impact on the Financial Statements of the entity.</i>
Amendments to IAS 27 titled <i>Equity Method in Separate Financial Statements (issued in August 2014)</i>	1 st Jan 2016	The amendments reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. <i>The amendment to the IAS did not have an impact on the Financial Statements of the entity.</i>
Amendment to IAS 19 (<i>Annual Improvements to IFRSs 2012–2014 Cycle, issued in September 2014</i>)	1 st Jan 2016	The amendment, clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. <i>The amendment had no impact on the Financial Statements of the entity.</i>
Amendment to IFRS 5 (<i>Annual Improvements to IFRSs 2012–2014 Cycle, issued in September 2014</i>)	1 st Jan 2016	The amendment adds specific guidance when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued. <i>The amendment had no impact on the Financial Statements of the entity.</i>
Amendment to IFRS 7 (<i>Annual Improvements to IFRSs 2012–2014 Cycle, issued in September 2014</i>)	1 st Jan 2016	The amendment, applicable to annual periods beginning on or after 1 January 2016, adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset <i>The amendment had no impact on the Financial</i>

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Standard/Amendment to a standard	Effective date	Impact
		<i>Statements of the entity.</i>
Amendments to IFRS 10, IFRS 12 and IAS 28 titled <i>Investment Entities: Applying the Consolidation Exception</i> (issued in December 2014)	1 st Jan 2016	The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. <i>The amendment had no impact on the Financial Statements of the entity.</i>
Amendments to IAS 1 titled <i>Disclosure Initiative</i> (issued in December 2014)	1 st Jan 2016	The amendments, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. <i>The amendment had no significant impact on the Financial Statements of the entity.</i>
<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> (Amendments to IAS 12)	1 st Jan 2017	The amendments clarify that: <ul style="list-style-type: none"> • Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. <i>The amendment had no impact on the Financial Statements of the entity.</i>

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Standard/Amendment to a standard	Effective date	Impact
<i>Disclosure Initiative (Amendments to IAS 7: Statement of Cash flows)</i>	1 st Jan 2017	The amendments' objective is that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. <i>The amendment will enable users to evaluate changes in liabilities arising from Financing Activities.</i>
<i>Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12 Disclosure of interests in other entities</i>	1 st Jan 2017	Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. <i>The amendment had no impact on the Financial Statements of the entity.</i>

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective Date	Impact
<i>FRS 15 Revenue from Contracts with Customers (issued in May 2014)</i>	1 Jan 2018	The new standard, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or

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For the year ended June 30, 2017

Standard	Effective Date	Impact
		improved guidance.
IFRS 9 <i>Financial Instruments (issued in July 2014)</i>	1 Jan 2018	<p>This standard will replace IAS 39 (and all the previous versions of IFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and de-recognition:</p> <ul style="list-style-type: none"> • IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics. • For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch • For the impairment of financial assets, IFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised. • For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and nonfinancial risk exposures. • The de-recognition provisions are carried over almost unchanged from IAS 39.
IFRS 16: <i>Leases (issued in January)</i>	1 Jan 2019	The new standard introduces a new lessee accounting model, and will require a lessee to

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Standard	Effective Date	Impact
2016)		recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

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

The entity did not early – adopt any new or amended standards in year 2017.

(D) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

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

- i) **Revenue from the sale of goods and services** is recognised in the year in which the Company delivers products to the customer, the customer has accepted the products and collect ability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognised in the year in which the Company actually receives such grants. These grants are included as part of capital under the statement of changes in equity.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognised in the income statement as it accrues using the effective lease agreements.
- vi) **Other income** is recognised as it accrues.

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NOTES TO FINANCIAL STATEMENTS (Continued)

b) Property, Plant and Equipment

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

c) Depreciation and Impairment of Property, Plant and Equipment

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

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

The annual rates in use are:

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

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

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

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NOTES TO FINANCIAL STATEMENTS (Continued)

e) Intangible Assets

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

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

f) Amortisation and Impairment of Intangible Assets

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

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

g) Investment Property

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

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

h) Unquoted Investments

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

i) Inventories

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

j) Trade and Other Receivables

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

Kenya Industrial Estates Limited

Reports and Financial Statements

For the year ended June 30, 2017

NOTES TO FINANCIAL STATEMENTS (Continued)

k) Taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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

l) 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 various commercial banks at the end of the financial year.

m) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement.

Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

n) Trade and Other Payables

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

o) Retirement Benefit Obligations

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

Kenya Industrial Estates Limited

Reports and Financial Statements

For the year ended June 30, 2017

NOTES TO FINANCIAL STATEMENTS (Continued)

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

p) Provision for Staff Leave Pay

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

q) Exchange Rate Differences

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

r) Comparative Figures

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

s) 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, 2016.

t) Provision for Bad and Doubtful Debts

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

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

u) Critical Accounting Estimates and Judgement

In the process of applying the Corporation's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key area of judgement in applying the entities accounting policies is dealt with below:

v) Impairment Losses

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

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

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

w) Provision for Ex-staff Imprest and Advances

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

x) Impairment Losses on Loans and Advances

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

Kenya Industrial Estates Limited

**Reports and Financial Statements
For the year ended June 30, 2017**

NOTES TO FINANCIAL STATEMENTS (Continued)

timing and may vary from one person to another. Judgements may also change with time as new information becomes available.

The company review its loans and advances at each reporting date to assess whether an allowance for impairment should be recognized in profit or loss. Judgement is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions on a number of factors.

y) Income Taxes

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

z) 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-

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NOTES TO FINANCIAL STATEMENTS (Continued)

assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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

aa) Property, plant and equipment

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

bb) Going Concern

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

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**Reports and Financial Statements
For the year ended June 30, 2017**

NOTES TO FINANCIAL STATEMENTS (Continued)

cc) Related parties

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

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For the year ended June 30, 2017

NOTES TO FINANCIAL STATEMENTS (Continued)

	2017 Kshs'000	2016 Kshs'000
1. INTEREST INCOME		
Loans	74,415	57,001
Mortgage	26	23
Staff Loans	376	1,169
	<u>74,817</u>	<u>58,193</u>
	=====	=====
2. GRANTS FROM NATIONAL GOVERNMENT		
Recurrent grants received	107,600	77,866
Capital grants received	350,000	225,000
	<u>457,600</u>	<u>302,866</u>
	=====	=====

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income Ksh'000	Amount deferred under deferred income Kshs'000	Amount recognised in capital fund Kshs'000	Total grant income during the year Kshs;000	2015-2016 Kshs'000
State Department of Investment and Industry	107,600		350,000	457,600	302,866
Total	107,600		350,000	457,600	302,866

3. RENT INCOME

Rent Income per quarter		
1 st quarter	12,387	10,578
2 nd quarter	12,630	11,362
3 rd quarter	12,783	12,326
4 th quarter	13,272	13,246
	<u>51,072</u>	<u>47,512</u>
	=====	=====

Rent income is net of Value Added Tax (VAT)

4. GAINS ON DISPOSAL OF NON-FINANCIAL ASSETS

	2017	2016
4 th quarter	-	1
	<u>-</u>	<u>1</u>
	=====	=====

Kenya Industrial Estates Limited**Reports and Financial Statements****For the year ended June 30, 2017****NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2017 Kshs'000	2016 Kshs'000
5. COMMISSIONS & CHARGES		
Loan Processing Charges	10,345	9,076
Fines and penalties	934	894
	<u>11,279</u>	<u>9,970</u>
	=====	=====
6. OTHER INCOME		
Sale of tender documents	52	37
Business Development Services Income	1,787	8,357
Miscellaneous receipts	<u>7,410</u>	<u>8,435</u>
	9,249	16,829
	=====	=====
7(a) ADMINISTRATION COSTS		
Electricity and water	3,869	3,349
Communication services and supplies	10,727	10,008
Transportation, travelling and subsistence	16,325	16,754
Advertising, printing, stationery and photocopying	10,641	11,587
Rent and Rates expenses	2,783	8,242
Hospitality supplies and services	236	34
Insurance costs	12,111	10,492
Bank charges and commissions	2,048	1,864
Office and general supplies and services	6,783	6,622
Auditors' remuneration	628	696
Legal fees	1,833	1,529
Consultancy fees	5,723	7,238
Repairs and maintenance	2,558	2,989
Other operating expenses	<u>15,777</u>	<u>33,823</u>
	92,042	115,227
	=====	=====
7(b) STAFF COSTS		
Salaries and allowances of permanent employees	176,766	175,137
Staff Training Expenses	6,223	3,376
Medical Expenses	2,553	2,050
Staff Welfare	1,004	181
Wages of temporary employees	1,596	914
Compulsory national social security schemes	535	646
Other pension contributions	16,265	14,127
Leave pay and Gratuity provisions	<u>6,411</u>	<u>1,488</u>
	211,353	197,919
	=====	=====

Kenya Industrial Estates Limited

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For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2017	2016
The average number of employees at the end of the year was:		
Permanent employees – Management	47	44
Permanent employees – Technical and Support Staff	187	102
Temporary and contract employees	6	84
	<u>240</u>	<u>230</u>
	=====	=====
	2017	2016
	Kshs'000	Kshs'000
7 (c) DIRECTORS EMOLUMENTS		
Sitting Allowances	6,572	4,976
Honoraria	870	957
Other Allowances	7,043	5,053
	<u>14,485</u>	<u>10,986</u>
	=====	=====
8. OPERATING PROFIT / (LOSS)		
The operating profit / (loss) is arrived at after charging/ (crediting):		
Staff costs (note 7b)	211,353	197,919
Amortization and Depreciation	41,659	44,927
Directors' emoluments - fees	14,485	10,986
Auditors' remuneration - current year fees	628	696
Interest receivable	74,817	58,193
Interest payable	27,033	27,144
Rent receivable	51,072	47,512
	<u>421,047</u>	<u>387,377</u>
	=====	=====
9. FINANCE INCOME		
Interest income on Bank account balance	1,776	7
	<u>1,776</u>	<u>7</u>
	=====	=====
10. FINANCE COSTS		
Accrued Interest expense on loans		
GOK Loan	9,967	10,008
KFW Loan	5,569	5,591
IDA I Loan	2,867	2,879
IDA II Loan	1,098	1,102
ADF Loan	7,532	7,564
	<u>27,033</u>	<u>27,144</u>
	=====	=====

Kenya Industrial Estates Limited
Reports and Financial Statements
For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. PROVISION FOR BAD DEBTS WRITE BACK

	2017 Kshs'000	2016 Kshs'000
Provision for bad debts Write Back	5,670	11,795
	<u>5,670</u>	<u>11,795</u>

Type of provisions	write off					Total Kshs'000
	Loans Kshs'000	Mortgages Kshs'000	Staff Kshs'000	Rent Kshs'000	Kshs'000	
General provision	122	-	(104)	(163)	-	(145)
Specific provision	11,522	(1)	-	-	-	11,521
Write off	-	-	-	-	(5,706)	(5,706)
Total Provision	11,644	(1)	(104)	(163)	(5,706)	5,670

	2017 Kshs'000	2016 Kshs'000
12. TAXATION		
Current Tax	266	-
Tax Arrears	-	-
Deferred Tax Credit/ Charge	558	(530)
	<u>824</u>	<u>(530)</u>

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

Loss before Tax	<u>(125,109)</u>	<u>(174,030)</u>
Tax calculated at rate of 30% (2017: 30%)	(37,533)	(52,209)
Tax effect of:		
- Income not subject to tax	(-)	(-)
Tax losses carried forward	38,357	51,679
Tax Arrears	-	-
Tax Credit/Tax charge	<u>824</u>	<u>(530)</u>

Kenya Industrial Estates Limited

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For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The tax arrears relates to tax liability owed to Tax Authority as from 1995 to 2002. This has been settled. Deferred tax charge had not previously been incorporated in the financial statements and has now been restated.

13. EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit after tax of Kshs. (125,933,000) (2016: Kshs (173,500,000) by the average number of ordinary shares in issue during the year of 4,013,865 (2016: 4,013,865). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

14. DIVIDEND PER SHARE

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2017, no dividend in respect of the year ended June 30, 2017 shall be proposed just like year 2016 when no dividend was proposed.

Kenya Industrial Estates Limited

**Reports and Financial Statements
For the year ended June 30, 2017**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
15. PROPERTY, PLANT AND EQUIPMENT Kshs'000**

2017	Buildings & civil works	Office equipment	Motor vehicles, including, motor cycles	Computers & related equipment	furniture & fittings	Capital work in progress	TOTAL
COST OR VALUATION							
At July 1, 2016	464,343	51,341	61,750	40,277	51,094	666,254	1,335,059
Additions	519	51	-	742	130	40,141	41,583
Disposals	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	(2,782)	(2,782)
At June 30, 2017	464,862	51,392	61,750	41,019	51,224	703,613	1,373,860
DEPRECIATION							
At July 1, 2016	42,952	12,256	55,973	26,038	13,573	-	150,792
Charge for the year	14,434	4,846	5,102	4,488	3,510	-	32,380
Elimination on disposal	-	-	-	-	-	-	-
At June 30, 2017	57,386	17,102	61,075	30,526	17,083	-	183,172
NET BOOK VALUES							
At June 30, 2017	407,476	34,290	675	10,493	34,141	703,613	1,190,688

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

Office equipment	Cost or Valuation	Normal Annual depreciation charge
Motor vehicles, including motor cycles	-	12.5%
Computers and related equipment	-	20%
Furniture and fittings	-	20%
	-	10%
	=====	=====
	-	-
	=====	=====

Kenya Industrial Estates Limited

Reports and Financial Statements

For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. PROPERTY, PLANT AND EQUIPMENT Kshs'000

2016	Buildings & civil works	Office equipment	Motor vehicles, including, motor cycles	Computers & related equipment	furniture & fittings	Capital work in progress	TOTAL
COST OR VALUATION							
At July 1, 2015	450,521	52,289	61,750	42,117	54,997	663,217	1,324,891
Additions	17,861	81	-	301	498	10,105	28,846
Disposals	-	(1,029)	-	(2,141)	(4,401)	-	(7,571)
Adjustments	(4,039)	-	-	-	-	(7,068)	(11,107)
At June 30, 2016	464,343	51,341	61,750	40,277	51,094	666,254	1,335,059
DEPRECIATION							
At July 1, 2015	28,498	7,700	50,048	21,152	11,182	-	118,580
Charge for the year	14,454	4,921	5,925	6,407	3,895	-	35,602
Elimination on disposal	-	(365)	-	(1,521)	(1,504)	-	(3,390)
At June 30, 2016	42,952	12,256	55,973	26,038	13,573	-	150,792
NET BOOK VALUES							
At June 30, 2016	421,391	39,085	5,777	14,239	37,521	666,254	1,184,267

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

	Cost or Valuation	Normal Annual depreciation charge
Office equipment	-	12.5%
Motor vehicles, including motor cycles	-	20%
Computers and related equipment	-	20%
Furniture and fittings	-	10%
	-	-
	-	-

Kenya Industrial Estates Limited**Reports and Financial Statements****For the year ended June 30, 2017****NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2017 Kshs'000	2016 Kshs'000
16. LEASEHOLD LAND		
COST		
At July 1	537,335	537,335
Elimination	-	-
Revaluation	-	-
Additions	-	-
Adjustments	-	-
At June 30	<u>537,335</u>	<u>537,335</u>
AMORTISATION		
At July 1	18,819	13,618
Elimination	-	-
Charge for the year	5,172	5,201
Disposals	-	-
Impairment loss	-	-
At June 30	<u>23,991</u>	<u>18,819</u>
NET BOOK VALUE		
At June 30	<u>513,344</u>	<u>518,516</u>
17. INTANGIBLE ASSETS		
COST		
At July 1	48,126	48,126
Additions	-	-
Disposals	-	-
At June 30	<u>48,126</u>	<u>48,126</u>
AMORTISATION		
At July 1	20,878	16,754
Charge for the year	4,107	4,124
Disposals	-	-
Impairment loss	-	-
At June 30	<u>24,985</u>	<u>20,878</u>
NET BOOK VALUE		
At June 30	<u>23,141</u>	<u>27,248</u>

Kenya Industrial Estates Limited

**Reports and Financial Statements
For the year ended June 30, 2017**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2017 Kshs'000	2016 Kshs'000
18. INVESTMENT PROPERTY		
Opening valuation	575,848	580,137
Movements during the year		
Transfer from WIP	-	-
Additions	1,425	467
Adjustments	87	(4,756)
Disposal	-	-
Fair value gains/ (Losses)	-	-
Closing valuation	<u>577,360</u>	<u>575,848</u>
AMORTISATION		
At July 1	-	-
Charge for the year	-	-
Disposals	-	-
Impairment loss	-	-
At June 30	<u>577,360</u>	<u>575,848</u>
NET BOOK VALUE		
At June 30	<u>577,360</u>	<u>575,848</u>

19. UNQUOTED INVESTMENTS

	Level 1 Kshs '000	Level 2 Kshs '000	Level 3 Kshs '000	Total Kshs '000
At 30 June 2017:				
Investment in shares – Available-for-sale	-	11,200	-	11,200
As at 30 June 2016:				
Investment in shares – Available-for-sale	-	11,200	-	11,200

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

	2017 Kshs'000	2016 Kshs'000
20. LOANS		
Loan gross	1,013,742	970,933
Interest suspended	(272,851)	(278,789)
Specific provision	(35,839)	(15,399)
General provision	457	373
Net loan balance	<u>705,509</u>	<u>677,118</u>

Kenya Industrial Estates Limited
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For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2017 Kshs'000	2016 Kshs'000
21. INVENTORIES		
Stationery and general stores	5,533	5,402
Less obsolete stock	(164)	-
	<u>5,369</u>	<u>5,402</u>
	=====	=====
22 (a) TRADE AND OTHER RECEIVABLES		
Trade receivables	155,283	158,905
Deposits and prepayments	-	-
Staff receivable (note 22 (c (i)))	3,861	3,378
Other receivables	-	-
	<u>159,144</u>	<u>162,283</u>
Gross trade and other receivables	159,144	162,283
Provision for bad and doubtful receivables	(123,046)	(121,128)
	<u>36,098</u>	<u>41,155</u>
	=====	=====
Net trade and other receivables	36,098	41,155
	=====	=====
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	1,237	18,637
Between 30 and 60 days	14,408	707
Between 61 and 90 days	1,520	1,030
Between 91 and 120 days	996	138
Over 120 days	140,983	140,460
	<u>159,144</u>	<u>160,972</u>
	=====	=====
22 (b) STAFF RECEIVABLES		
Staff loans	13,848	9,682
Interest suspended	(4,169)	(4,119)
Specific provision	(136)	(139)
General provision	175	218
	<u>9,718</u>	<u>5,642</u>
	=====	=====
22 (c) (i) STAFF RECEIVABLES		
Staff advances and imprest	3,861	3,378
Provision for staff advances and imprest	(2,171)	(2,067)
	<u>1,690</u>	<u>1,311</u>
	=====	=====
Amounts due within an year	1,690	1,311
	=====	=====

Kenya Industrial Estates Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2017	2016
	Kshs'000	Kshs'000
23 BANK AND CASH BALANCES		
Cash at bank:		
Standard Chartered Bank	111,710	61,385
Kenya Commercial Bank Ltd	76,718	8,100
National Bank of Kenya	25,382	3,981
Co-operative Bank of Kenya	176	326
M-Pesa	610	558
Cash in hand	427	275
	<u>215,023</u>	<u>74,625</u>
Bank overdraft	(17)	(7,680)
	<u>215,006</u>	<u>66,945</u>
	=====	=====

The bulk of the cash at bank was held at Standard Chartered Bank Kenya Limited, Kenya Commercial Bank and National Bank of Kenya Limited, the company's main bankers. The bank overdraft refers to overdrawn ledger balances but not bank account balances.

24 ORDINARY SHARE CAPITAL

	Kshs'000	Kshs'000
Authorised:		
10,000,000 ordinary shares of Kshs.20 par value each	200,000	200,000
	=====	=====
Issued and fully paid:		
4,013,865 ordinary shares of Kshs.20 par value each	80,277	80,277
	=====	=====

	Kshs'000	Kshs'000
25 RESERVES		
Capital Reserves	22,523	22,523
Disposal of sheds	68,637	68,637
GOK Irredeemable Loans	190,257	190,257
Revaluation Reserves	838,405	838,405
Grants	3,435,265	3,085,265
Retained Earnings	(2,948,028)	(2,784,989)
	<u>1,607,059</u>	<u>1,420,098</u>
	=====	=====

CAPITAL RESERVES

This relates to assets donated to the company by development partners

DISPOSAL OF SHEDS

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

Kenya Industrial Estates Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

GOK IRREDEEMABLE LOANS

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

REVALUATION RESERVE

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

GRANTS

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

RETAINED EARNINGS

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

26	BORROWINGS	Kshs'000	Kshs' 000
	Balance at beginning of the year	1,403,417	1,392,718
	Interest Accrued	27,033	27,144
	Repayments of domestics borrowings during the year	(8,000)	(16,000)
	Adjustment of domestics borrowings (WEDF) during the year	(-)	(445)
	Balance at end of the year	<u>1,422,450</u>	<u>1,403,417</u>
	Less: Amounts due within one year (current portion)	(1,422,450)	(1,403,417)
	Amounts due after one year (non-current portion)	<u> -</u>	<u> -</u>
		=====	=====
	The analyses of both external and domestic borrowings are as follows:		
	External Borrowings		
	Dollar denominated loan from 'A'	875,415	858,349
		<u>875,415</u>	<u>858,349</u>
	Domestic Borrowings		
	Kenya Shilling loan from Youth Enterprise Fund	22,709	30,709
	Kenya Shilling loan from Women Enterprise Fund	-	-
	Kenya Shilling loan from GOK	524,326	514,359
		<u>547,035</u>	<u>545,068</u>
	Total balance at end of year	<u>1,422,450</u>	<u>1,403,417</u>
		=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2017	2016
	Kshs'000	Kshs'000
a) Analysis of changes in Borrowings		
Balance at beginning of the year	1,403,417	1,392,718
Receipts during the year	-	-
Repayments during the year	(8,000)	(16,000)
Adjustment of previous year accrued interest	(-)	(445)
Foreign exchange (gains)/losses	-	-
Accrued interest	27,033	27,144
Balance at end of the year	<u>1,422,450</u> =====	<u>1,403,417</u> =====
b) Analysis of Interest Paid		
Interest on loans (note 9)	27,033	27,144
	<u>27,033</u>	<u>27,144</u>
Interest on loans capitalised	27,033	27,144
Balance at beginning of the year	631,645	604,501
Adjustment of domestic borrowings (WEDF) during the year	(445)	-
Balance at end of the year	<u>(658,233)</u>	<u>(631,645)</u>
Interest paid	<u>-</u> =====	<u>-</u> =====
27 TRADE AND OTHER PAYABLES		
Trade payables	30,581	57,483
Other payables	97,761	108,490
	<u>128,342</u> =====	<u>165,973</u> =====
28 RETIREMENT BENEFIT OBLIGATIONS		

The company operates a defined contribution scheme for all full-time employees. The scheme is administered by an external administrator. All contributions from both the company and its employees are remitted to the fund manager and the administrator is informed.

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200.00 per employee per month.

Kenya Industrial Estates Limited**Reports and Financial Statements****For the year ended June 30, 2017****NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2017	2016
29 PROVISION FOR LEAVE PAY	Kshs'000	Kshs'000
Balance at beginning of the year	8,271	12,542
Additional provision at end of year	5,171	-
Leave paid out or utilised during the year	-	(4,271)
Balance at end of the year	<u>13,442</u>	<u>8,271</u>

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

30 NOTES TO THE STATEMENT OF CASH FLOWS**a) Reconciliation of operating Profit / (Loss) to Cash generated from / (used in) operations**

	Kshs'000	Kshs'000
Operating Profit/(Loss)	(105,522)	(158,688)
Depreciation	32,380	35,602
Amortization of Leasehold Land	5,172	5,201
Amortisation of Intangible Assets	4,107	4,124
(Gain)/Loss on Disposal of Property, Plant and Equipment	-	1
Rent Income	(51,072)	(47,512)
Other Income	(20,528)	(26,799)
Interest Income	(74,817)	(58,193)
Operating Profit/ (Loss) Before Working Capital Changes	<u>(210,280)</u>	<u>(246,264)</u>
Increase in Inventories	33	460
Increase in trade and other Receivables	5,057	(5,182)
Decrease in trade and other Payables	(37,631)	(20,970)
Decrease in Provision for Staff Leave Pay	5,171	(4,271)
Accrued Interest Payables	27,033	27,144
Advances to Customers	(268,935)	(183,182)
Collection from Loans, Rent, Mortgage & Other Income	326,845	301,676
Cash Generated from/(used in) Operations	<u>(152,707)</u>	<u>(130,588)</u>

b) Analysis of Cash and Cash Equivalents

Cash at bank	214,579	66,670
Cash in hand	427	275
Balance at end of the year	<u>215,006</u>	<u>66,945</u>

Kenya Industrial Estates Limited

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Disclosure on changes in Financing Cash flow:-

- i. GOK Grant- This is grant from National Government given to support the company's development activities. The grant is not refundable.
- ii. Repayment of Borrowing- This relates to repayment of loan to Youth Enterprise Development Fund.

31 RELATED PARTY DISCLOSURES

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

The Group is related to:

- Government of Kenya
- Board of Directors

(a) Government of Kenya

The Government of Kenya is the principal shareholder of the company, holding 100% of the company's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the company, both domestic and external. Government of Kenya provides both development and recurrent grants to the organization.

	2017	2016
	Kshs'000	Kshs'000
GOK Transfers	<u>457,600</u>	<u>302,866</u>

(b) Directors Remuneration

	2017	2016
	Kshs'000	Kshs'000
Directors	<u>14,485</u>	<u>10,986</u>

(c) Management Compensation

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

	2017	2016
	Kshs'000	Kshs'000
Compensation to the Directors	14,485	10,986
Compensation to the CEO	5,400	5,940
Compensation to key management	<u>25,350</u>	<u>19,868</u>
	<u>45,235</u>	<u>36,794</u>

Kenya Industrial Estates Limited

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(d) Loans to Key Management

Car Loans	<u>2,418</u>	<u>2,304</u>
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32 CAPITAL COMMITMENTS	Kshs'000	Kshs'000
Amounts authorised and contracted for	739,121	739,121
Less: Amounts incurred and included in work-in-progress	(599,104)	(558,963)
	<u>140,017</u>	<u>180,158</u>

33 CONTINGENT LIABILITIES

a) BANK OVERDRAFT	Kshs'000	Kshs'000
Bank overdraft	3,422	3,422
Legal claims against the company	-	-
	<u>3,422</u>	<u>3,422</u>

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

b) Land and Buildings

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

c) Corporation Tax

This exists for the Financial Years 1997 and 1998 where the company has filed for relief in respect of error under section 90 of the Income Tax Act. The liability came as result of the company erroneously making a general provision for loans instead of specific provision which is an allowable deduction in tax computation. The errors in the two years caused the company to incur tax liability amounting to Kshs.34.8 Million. This amount has accumulated interest and penalties making the total contingent liability to be Kshs.109.8 Million as at 30th June, 2016.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

34 Deferred Taxation

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2014: 30%). The movement on the deferred tax account is as follows:

	2017 Kshs'000	2016 Kshs'000
At start of year	35,305	35,835
Charge to profit or loss (Note 11)	<u>558</u>	<u>(530)</u>
At end of year	<u>35,863</u>	<u>35,305</u>

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

	At start of year Ksh'000	Charge/(credit) Ksh'000	At end of year Ksh'000
Deferred Tax Liabilities			
Property, Plant & Equipment	33,249	(1,419)	31,830
Provisions-Leave & Bad debts	<u>4,207</u>	<u>(174)</u>	<u>4,033</u>
Net Deferred Tax Liability	<u>37,456</u>	<u>1,593</u>	<u>35,863</u>
Deferred Tax (Assets)			
Tax losses carried forward	<u>(2,151)</u>	<u>2,151</u>	<u>0</u>
Net Deferred Tax Liability	<u>35,305</u>	<u>558</u>	<u>35,863</u>

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

35 GRANTS

	2017 Kshs'000	2016 Kshs'000
Norwegian grant	146,039	146,039
EEC grant	1,857	1,857
GTZ grant for ISL	17,593	17,593
GTZ Rep. Financing grant	4,385	4,385
KFW grant for ISL loans	72,943	72,943
GTZ co-operation fund	3,705	3,705
GOK grant	3,170,777	2,820,777
UNDP grant	6,766	6,766
EEC grant	11,200	11,200
	<u>3,435,265</u>	<u>3,085,265</u>
	=====	=====

36 INCORPORATION

The company is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.

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For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 PROVISION FOR BAD AND DOUBTFUL DEBTS

The provision for bad debts includes provision on loans and mortgages made in the year and write backs on loans which were previously provided and were recovered in the year. Write offs during the year amounted to Ksh.96M.

38 CAPITAL RISK MANAGEMENT

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

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balance.

The analysis of capital managed by the company is as shown below:

	2017	2016
	Kshs'000	Kshs'000
Share Capital	80,277	80,277
Retained Earnings	(1,828,206)	(1,665,167)
Equity	(1,747,929)	(1,584,890)
Total Borrowings		
Local and external Loans	1,422,450	1,403,417
Bank Borrowings (Overdraft)	-	7,680
Local and external Loans	1,422,450	1,411,097
Less Cash & Bank Balance	(215,023)	(74,625)
Net Debt	1,207,427	1,336,472
Gearing	-69%	-84%

39 FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks including credit and liquidity risks, effects of changes in foreign currency and interest rates and changes in market rents. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The most important types of risk for the company are credit, liquidity and market risk.

(a) Credit Risk Management

Credit risk refers to the risk that customers will default on their contractual obligations resulting in financial loss to the company. The company's credit risk is primarily attributable to liquid funds and loans advances and trade receivables. Credit risk on liquid funds is low because the counter parties are banks with high ratings assigned by the banking regulator. The company has a rigorous policy of analysis credit risk on loan advances.

The amount that best represents the company's maximum exposure to credit risk at 30th June is made up as follows:

Kenya Industrial Estates Limited

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For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2017 KShs'000	2016 KShs'000
Bank balance	214,596	74,350
Loans	705,509	677,118
Trade and other receivables	36,098	41,155
	<u>956,203</u>	<u>792,623</u>
	=====	=====

The carrying amount of financial assets (bank balances and trade receivables) recorded in the financial statements representing the company's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Fully performing Shs'000'	Past due Shs'000'	Impaired Shs'000'
At 30 June 2017			
Trade receivables	18,161	-	140,983
Bank balances	214,596	-	-
	<u>=====</u>	<u>=====</u>	<u>=====</u>
At 30 June 2016			
Trade receivables	18,675	1,875	140,460
Bank balances	74,350	-	-
	<u>=====</u>	<u>=====</u>	<u>=====</u>

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

i) Credit Risk Measurement

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

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For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ii) Impairment and Allowance Policies

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

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

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

	2017 Ksh'000'	2016 Ksh'000'
Individually Impaired		
Normal	320,079	272,658
Watch	61,852	25,900
Sub -Standard	26,775	34,432
Doubtful	501	446,512
Loss	<u>618,384</u>	<u>199,974</u>
Gross Amount	1,027,591	979,476
Allowance for Impairment	<u>(312,363)</u>	<u>(297,855)</u>
Carrying Amount	<u>715,228</u>	<u>681,621</u>

iii) Past due but not Impaired Loans

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

	2017 Ksh'000'	2016 Ksh'000'
Loans to Customers		
Past due but not Impaired	408,706	332,990
Past Due and Impaired	618,885	646,486
Impairment Allowance	<u>(312,363)</u>	<u>(297,855)</u>
Total	<u>715,228</u>	<u>681,621</u>

Kenya Industrial Estates Limited

**Reports and Financial Statements
For the year ended June 30, 2017**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(b) Liquidity Risk Management

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations from financial liabilities. The ultimate responsibility for liquidity risk management rests with the Board of Directors. The company manages liquidity risk by maintaining banking facilities through continuous monitoring of forecasts and actual cash flows.

The analysis below shows the company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the end of the reporting date. The amounts disclosed in the table below are undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Within 12 Months Kshs'000	Over 12 Months Kshs'000		
At 30th June 2017				
Borrowings	1,422,450	-		
Bank Overdraft	17	-		
	<u>1,422,467</u>	<u>-</u>		
	Kshs'000	Kshs'000		
At 30th June 2016				
Borrowings	1,403,417	-		
Bank Overdraft	7,680	-		
	<u>1,411,097</u>	<u>-</u>		
	Kshs'000	Kshs'000		
Trade and Other payables				
	Less than 1 month Sh '000'	Between 1-3 months Sh '000'	Over 5 months Sh '000'	Total Sh '000'
At 30 June 2017				
Trade payables	1,805	894	125,643	128,342
	<u>1,805</u>	<u>894</u>	<u>125,643</u>	<u>128,342</u>
At 30 June 2016				
Trade payables	365	1,118	164,490	165,973
	<u>365</u>	<u>1,118</u>	<u>164,490</u>	<u>165,973</u>

(c) Market Risk Management

The company takes on exposure to market risks, which is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Monitoring of market risk is done by management in conjunction with the Board of Directors. Market risk exposures are measured by the use of sensitivity analyses. There has been no change to the company's exposure to market risks on the manner in which it manages and measures the risk. The market risk exposure for the company relates primarily to interest rate risks.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Interest Rate Risk

The company is exposed to both cash flow and fair value interest rate risks. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. The company holds interest bearing assets in form of loans to customers.

A law has been passed to cap interest rates in the country which might affect interest rates on loans. However, this may not have a higher impact on company interest income because the rate the company has been charging is lower and its impact shall be felt in 2016/2017 financial year.

The interest rate risk exposure arises mainly from interest rate movements on the company's borrowings.

The company's borrowings comprise a loan and an overdraft facility from local financial institutions and other loans from international and multilateral institutions disclosed under note 20&23. The company ensures that interest charged on its borrowings is at the lowest rates possible.

The table below summarizes the estimated impact on profit of a 10 percentage point decline/increase in interest rates available from lenders:-

	2017 Kshs'000	2016 Kshs'000
±10%point decrease/increase in borrowing rate	142,245	140,342

ii) Foreign Exchange Risk

The company has exposure to foreign currency risk. This arises from borrowings from International and multilateral disclosed under note 26.

External Borrowings	2017 Kshs'000	2016 Kshs' 000
Dollar denominated loan from 'A'		
IDA I Loan	131,709	128,842
IDA II Loan	54,727	53,628
KFW Loan	260,100	254,532
ADF Loan	428,879	421,347
	<u>875,415</u>	<u>858,349</u>

Kenya Industrial Estates Limited

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XVIII. PROGRESS REPORT ON PRIOR YEAR AUDIT MATTERS

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

Ref No. on external Audit report	Issue/Observations from Auditor (2015/16 audit certificate issues)	Management comments	Focal Point person to resolve the issue	Status: (Resolved/Not Resolved)	Time frame:
1	<p>Financial Performance and Service Sustainability</p> <p>During the year under review, the Company reported a loss before tax of Kshs. 174,030,000 (2105: loss of Kshs. 94,735,000) which brought the cumulative reserves to a negative balance of Kshs. 2,784,989,000. In addition, the statement of financial position as at 30th June, 2016 reflects total current liabilities of Kshs. 1,585,341,000 against total current assets of Kshs. 121,182,000 resulting in a negative working capital of Kshs. 1,464,159,000. As previously reported, the Company is therefore technically insolvent and its existence as a going concern is dependent on continued support by Government and creditors.</p>	<p>We concur with the observation that the Company is technically insolvent as a result of accumulated losses and negative working capital.</p> <p>The Board and Management are cognizant of this situation and are committed to turning the organization around. The Board has prepared a Draft Cabinet Memorandum for restructuring of the Company balance sheet through waiver of legacy debts owed to Government and International lenders amounting to Kshs.1.39 Billion. This has already been forwarded to the Ministry of Industry, Trade and Cooperatives for further processing.</p> <p>The Board has also developed a turnaround strategy whose objective is to make the company financially viable and self-sustaining within the next three years. This is being implemented.</p> <p>In the meantime, the Ministry has continued to support the organization through allocation of grants for both Development and Recurrent expenditure.</p>	KIE Board	Not Resolved	30/06/2018
2.0 2.1	<p>Trade and Other Receivables Staff Receivables</p> <p>The trade and other receivables balance of Kshs. 41,155,000 as June, 2016 includes an amount of Kshs. 3,378,269 being staff advances and imprest out of which, an amount of Kshs. 2,086,734 relates to staff advances and imprest for staff who have left the Company service.</p>	<p>The Board has developed a policy to guide the organization on ex-staff debts. Clearance process for staff leaving the organization has been tightened to ensure they clear all company debts before exiting. On the outstanding balances, the management is pursuing the ex-employees who have balances amounting to Kshs.2,086,734.00 to ensure the debts are settled.</p>	FM	Not Resolved	30/06/2018

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Ref No. on external Audit report	Issue/Observations from Auditor (2015/16 audit certificate issues)	Management comments	Focal Point person to resolve the issue	Status: (Resolved/Not Resolved)	Time frame:
	In the circumstances, it has not been possible to determine whether Kshs.3,378,269 is recoverable.	Some of the imprest balances have been outstanding since 1997.			
2.2	<p>Non Movement of Trade Receivables</p> <p>The trade and other receivables balance as at 30th June, 2016 includes sundry debtors amounting to Kshs. 18,621,631 out of which Kshs. 10,746,930 had no movement from the previous financial year. No explanation was given as to why these long outstanding balances have not been recovered and have apparently been carried forward from year to year without any appropriate action being taken. No explanation has been given for dormancy of these accounts or why the company has not been recovering or recommend for write off for such irrecoverable debts.</p>	The bulk of the long outstanding debts amounting to Kshs.10, 746,930.00 relate to consultancy work done for County Governments. The organization has been finding challenges in obtaining payments from County Governments due to their bureaucratic systems. We will continue to pursue them for settlement of the debts.	FM/IED ISM	Not Resolved	30/06/2018
3.0	<p>Trade and other Payables</p> <p>Trade and other payables balance of Kshs. 165,973,000 as at 30th June,2016 includes an amount of Kshs. 14,989,280 which has no movement from previous year, casting doubt on the validity of these payable and the ability of the organization to pay debts as they fall due.</p> <p>Further, the Company has not remitted the statutory deductions amounting to Kshs.11,564,433 with Kshs. 6,962,229 relating to the current year while Kshs. 4,602,204 is for prior years.</p> <p>Failure to remit statutory</p>	<p>The management has reviewed the list of trade payables including writing to them to ascertain the validity of the creditors. The cases which have been verified, the management has started implementing a payment plan.</p> <p>The statutory deductions relate to years 2005-2010 periods when the company had financial challenges due to underfunding. We have agreed on a payment plan with KRA and the pension scheme and payments have been made since July, 2016. So far we have made payments as shown below:</p>	FM	Not Resolved	30/06/2018

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Ref No. on external Audit report	Issue/Observations from Auditor (2015/16 audit certificate issues)	Management comments	Focal Point person to resolve the issue	Status: (Resolved/ Not Resolved)	Time frame:
	deductions when due is likely to attract penalties and interest from the respective regulatory institutions. Consequently, it has not been possible to confirm that the trade and other payables balance of Kshs. 165,973,000 as at 30 th June, 2016 is fairly stated.	PAYE Kshs.620, 298.00 Provident fund <u>Kshs.612, 859.80</u> Total <u>Kshs.1, 233,157.8</u>			
4.0	Management of Loaning Portfolios The management disbursed loans amounting to Kshs. 181,331,500 in the year under review against a target of Kshs. 270 million as stipulated in the budget vide board paper of January, 2016. Although this has been attributed to the delays in receiving the relevant funding from the National Treasury, the loans turnaround time remains a major challenge to the Company. Under Note 30(b) to the financial statements, the Company managed to recover only Kshs. 16,000,000 out of the outstanding loans of Kshs. 1,370,621,000. This translate to a paltry approximately 1.2% of the opening loans balance implying that a colossal amount of outstanding loans are not performing as expected. This is despite the fact that the Company is struggling to break-even in its operations.	The company is committed to improve turnaround time for processing loans. Most of our loans are secured by title deed and our clients face delays in acquiring consent from the respective land boards. Land registries have a timetable for their operation and cases can only be presented at the scheduled time. Most registries were occasionally closed for audit and restructuring within the year under review thus affecting our processes. The organization is in the process of reviewing lending policy in-order to streamline the lending processes and improve the turnaround time. On loan recovery, we wish to clarify that amount collected from customers in the financial year amounted to Kshs.301.7 Million (see note 30(a)) and not Kshs. 16.0 Million as stated under observation no. 4. Note 30(b) refers to analysis of external loans plus accumulated interest extended to the company. The company paid Kshs.16, 000,000 to Youth Development Fund in 2015/2016.	Business Development Manager/ Manager Risk Management (MRM)	Not Resolved	30/06/2018
5.0	Poor Management of Projects: The Nairobi Incubation Centre As reported in the previous year, a contract entered between the Company and a local contractor at	The delay in payment to Contractor for Nairobi Incubation Centre was as a result of budget cuts in 2015/16 financial year.	IEDISM	Not Reso	31/12/2017

Kenya Industrial Estates Limited

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For the year ended June 30, 2017

Ref No. on external Audit report	Issue/Observations from Auditor (2015/16 audit certificate issues)	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Time frame:
	<p>a contract sum of Kshs. 296,858,878 for construction of Nairobi Incubation Centre was suspended by the contractor due to non-payment.</p> <p>During the year under review, no payment was done to the contractor despite the Company receiving development grants amounting to Kshs. 225,000,000. The Company risks paying huge penalties and interest besides likely loss due to delay in project completion.</p>	<p>The amount allocated to the organization in 2015/2016 financial year was channeled towards credit to SMEs. We communicated to our Ministry on negative impact of delayed projects and Kshs.150.0 Million was allocated in 2016/2017 Financial year to complete the project. At the current period we have no outstanding certificates for the contractor. The project is on course for completion by the end of 2016/2017 financial year and funds are available for the works.</p>		<p>olved</p>	
	<p>Emphasis of matter Installation of Biometric System</p> <p>As reported in the previous year, the Company on 23 November, 2012 entered into a contract with a local firm at a sum of Kshs. 8,918,688 for the delivery, installation and commissioning of a biometric system. Further, the contract company was to configure the access control software and all the required reports including attendance reports. However, though the works have been paid for and the system captured as office equipment in the financial year under review, a visit to the head office and some branches revealed that the system may not be meeting its intended purpose as the entry and exit doors remain open and as such access is not restricted. Further, whereas the system was intended to give reports on staff attendance, it is not full proof since it is possible</p>	<p>We have noted the recommendations on Biometric system. The company objective in installing the system was to monitor attendance and enhance security at different work stations. The management will ensure pending works are completed so that the system can meet the desired goal. As stated in our previous response, the system is able to generate most reports and the vendor was paid only 75% of the contract sum which was mainly the equipment. We will work to ensure the pending works are completed</p>	<p>Human Resource & Administration Manager (HRM)</p>	<p>Not Resolved</p>	<p>30/06/2018</p>

Kenya Industrial Estates Limited

**Reports and Financial Statements
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Ref No. on external Audit report	Issue/Observations from Auditor (2015/16 audit certificate issues)	Management comments	Focal Point person to resolve the issue	Stat us: (Res olve d / Not Reso lved)	Time frame:
	for staff to clock in and walk out without clocking out and come back in the evening to clock out. The system relies on the integrity and honesty of the staff. My opinion is not qualified in respect to this matter.				


 Managing Director.....


 Chairman of the Board.....

Date.....

Date.....

Kenya Industrial Estates Limited

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XIX. APPENDIX 1: PROJECTS IMPLEMENTED BY KIE

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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources
1	Credit to SMES	3.35 Billion	575.0 Million	17.2%	350.0 Million	350.0 Million	GOK and Internally Generated resources

XX. APPENDIX 2: INTER-ENTITY TRANSFERS

ENTITY NAME:		KENYA INDUSTRIAL ESTATES LTD		
Break down of Transfers from the State Department of Investment and Industry				
FY 16/17				
a. Recurrent Grants				
	Bank Statement Date	(KShs'000)	2016-2017	
	07.09.2016	19,225		
	14.11.2016	19,225		
	07.03.2017	19,225		
	12.04.2017	49,925		
		107,600		
b. Development Grants				
	Bank Statement Date	(KShs'000)	2016-2017	
	13.10.2016	162,500		
	16.01.2017	162,500		
	17.02.2017	12,500		
	05.05.2017	12,500		
		350,000		

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XIX. APPENDIX 1: PROJECTS IMPLEMENTED BY KIE

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XX. APPENDIX 2: INTER-ENTITY TRANSFERS

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a. Recurrent Grants				
		Bank Statement Date	(KShs'000)	2016-2017
		07.09.2016	19,225	
		14.11.2016	19,225	
		07.03.2017	19,225	
		12.04.2017	49,925	
			107,600	
b. Development Grants				
		Bank Statement Date	(KShs'000)	2016-2017
		13.10.2016	162,500	
		16.01.2017	162,500	
		17.02.2017	12,500	
		05.05.2017	12,500	
			350,000	

