

REPUBLIC OF KENYA



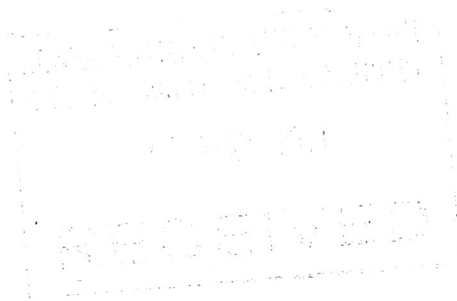
KENYA NATIONAL AUDIT OFFICE



**REPORT OF
THE
AUDITOR-GENERAL**

ON

**THE FINANCIAL STATEMENTS OF
KENYA INDUSTRIAL ESTATES LTD FOR
THE YEAR ENDED 30 JUNE 2012**



KENYA INDUSTRIAL ESTATES LTD
FINANCIAL STATEMENTS FOR YEAR 2011/2012

KENTA INDUSTRIAL ESTATES LTD
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30TH JUNE 2012

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KENYA INDUSTRIAL ESTATES LTD
FINANCIAL STATEMENTS FOR THE YEAR

ENDED 30TH JUNE 2012

COMPANY INFORMATION

Principal Place of Business

KIE Building
Likoni Road
Industrial Area
P. O. Box 78029
00507 Viwandani, Nairobi

Registered Office

KIE Building,
P. O. Box 78029
00507 Viwandani, Nairobi

Company Secretary

Edna Adala
P. O. Box 78029
00507 Viwandani, Nairobi

Company Auditors

Auditor- General
Kenya National Audit Office
P. O. Box 30084
00100 Nairobi GPO

KENYA INDUSTRIAL ESTATES LTD
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30TH JUNE 2012

Board of Directors

Ahmed Abdullahi Mohamad-Chairman

Priscilla M. A. Onacha

Jane B. Nyakang'o

Dr. John Mugo Nyaga

Sammy Koskei

Susan Kairima

Marstella Bahati Kahundi

Permanent Secretary, Treasury

Permanent Secretary, Ministry of Industrialization

Julius O. Mokogi-Managing Director

Senior Management

Julius O. Mokogi

David. K. O Opiyo

Monica C Kotut

Charles M. Mativo

Naomi. K. Mwitiki

L.Kwoba Kollikho

Martin K. Kiveu

Edna Adala

Joseph K. Tele

Reginald M. Kimanthi

Managing Director

General Manager-Operations

Manager, Human Resources & Administration

Finance Manager

Manager, Corporate Strategy & Planning

Manager, Business Development services

Manager, Internal Audit

Manager, Legal & Company Secretary

Manager, Industrial Sheds & Incubation Services

Manager, Risk Management

KENYA INDUSTRIAL ESTATES LTD.

Branch Network

KIE has thirty one (31) branches countrywide. These are:-

Regional offices: Nairobi & Environs, North Rift, South Rift, Nyanza Province, Western Province, Central, Upper Eastern, Lower Eastern, Coast and North Eastern

Branches: Kabarnet, Malindi, Voi, Kericho, Kitui, Sultan Hamud, Murang'a, Thika, Bungoma, Garissa, Kisii, Nyamira, Siaya, Kimilili, Taveta, Homabay, Busia, Meru, Tala, Karatina and Narok

1. Principal Activities

The company continues to facilitate development and incubation of Small and Medium Enterprises (SME's) countrywide by establishing and offering industrial parks, sustainable credit, business development services and sub-contracting exchange/linkages.

2. Company Results.

The company results are set out on page 7 & 8

3. Dividend

The Directors do not recommend payment of dividends

4. Reserves

The reserves of the company are set out on page 22 note 16

5. Auditors

The Board retains Auditor General as KIE Auditors

By Order of the Board

KENYA INDUSTRIAL ESTATES LTD

Finance and Investment Committee

Jane B. Nyakang'o	Chairperson
Permanent Secretary- Min. of Finance	Director
Permanent Secretary – Min. Of Industrialization	Director
Sammy Koskei	Director
Susan Kairima	Director
Dr. John Mugo Nyaga	Director
Julius O. Mokogi	Managing Director

Corporate Governance Statement


Kenya Industrial Estates is committed to the new standards of Corporate Governance introduced by the Government of Kenya. The Board of Directors 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.

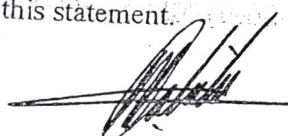
Statement of Directors Responsibility

The Kenya Companies Act requires the Directors to prepare the financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of profit or loss. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the annual financial statements that have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Financial Reporting Standards and requirements of the Companies Act. The Directors are of the opinion that the accounts give true and fair view of the state of affairs of the company and its performance. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal controls.

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


JULIUS O. MOKOGI
MANAGING DIRECTOR


WACHIRA MAHIHU
CHAIRMAN



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA INDUSTRIAL ESTATES LTD FOR THE YEAR ENDED 30 JUNE 2012

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Industrial Estates Ltd set out on pages 7 to 28, which comprise the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

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

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

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

Basis for Qualified Opinion

1. Going Concern

(i) During the year under review, the company recorded a profit of Kshs.15,767,000 (2010-loss Kshs.80,263,000) which brought the cumulative reserves to a negative balance of Kshs.1,581,274,000 as at 30 June 2012. The cumulative loss has reduced the shareholders funds to a negative balance of Kshs.1,500,997,000 (2011-Kshs.1,500,962,000). The management has explained that a cabinet memorandum for restructuring its balance sheet has been prepared and is under consideration by the National Treasury. However, until it is approved, the current state of affairs will continue in future.

(ii) Further, the statement of financial position as at 30 June 2012 reflects current liabilities amounting to Kshs.1,304,473,000 and current assets of only Kshs.33,361,000 resulting in a negative working capital of kshs.1,271,112,000. In addition, and again as observed in the previous year, the total liabilities of kshs.1,528,649,000 include interest on long term loans of Kshs.521,649,000, Government of Kenya loans amounting to Kshs.260,512,000 and external loans totalling Kshs.410,529,000 which had as at 30 June 2012 matured but not settled. The company is therefore technically insolvent and its existence as a going concern is depended upon continued financial support of the Government and creditors.

2. Property and Equipment

(i) As reported in the previous year, property and equipment balance of Kshs 579,917,000 as at 30 June 2012 includes five (5) staff houses in Eldoret valued at Kshs 5,300,000 whose ownership documents were not provided for audit verification. According to management, the matter is still in court and until the matter is resolved, the ownership of the houses is still in doubt.

(ii) Further, ownership documents for one (1) plot in Voi, six (6) plots in Siaya and six (6) plots in Homabay were not availed for audit verification. According to management, they have already acquired allotment letters for plots in Voi and Siaya while pursuing allotment letter for Homabay plot.

(iii) The ownership of the following plots are in dispute -

Location	Plot Number	Size (Hectares)	Remarks
Mombasa	MSA/MIN/VI/4001	0.6054	Third party claimed ownership
Nakuru	Block 4/299	0.094	Title was acquired illegally – case in court.
Malindi	MLD/20963/D/III/39	3.6590	Squatters have constructed structures on plot.
Kisumu	KSM Block/2/24-76	2.8452	Illegally acquired by United Millers Ltd
Eldoret	ELD/779/390	5.06	Lands Ministry has allocated it to another party
Keroka	Mwamangerera/982	1.134	Taken by Provincial Administration

Although the management has explained that action is being taken to resolve the issues on disputed plots, no evidence was seen to show how and when the matter is likely to be concluded.

In the circumstances, it has not been possible to confirm the ownership of the properties mentioned above or that the property and equipment balance of Kshs.579,917,000 as at 30 June 2012 is fairly stated.

3. Receivables

Included in the receivables balance of Kshs. 16,921,000 are staff advances totalling Kshs 6,476,000 out of which Kshs. 829,552 relates to staff who have since left the organization. Although the management has explained that it is in the process of putting in place a policy to ensure that, in future no staff will leave the organization before the advances owing from them is settled, no evidence as to when and how the above debts will be recovered was availed.

Qualified Opinion

In my opinion, except for the possible effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2012 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with Kenya Companies Act, Cap 486 of the Laws of Kenya.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenya Companies Act, 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, proper books of account have been kept by the Company, so far as appears from my examination of those books; and,
- (iii) The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

03 June 2013

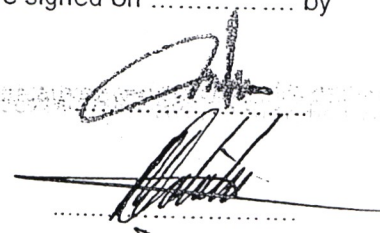
KENYA INDUSTRIAL ESTATES LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2012

ASSETS	Notes	Year 2012 Kshs'000	Year 2011 Kshs'000
Non-current assets			
Property and Equipment	7	579,917	366,986
Industrial Sheds	10(b)	36,152	36,152
Total Non-current Assets		616,069	403,138
Other Assets			
Loans to customers	9(a)	406,610	250,222
Mortgages to customers	10(a)	24,392	17,889
Other Investments	9(b)	11,200	11,200
Staff Loans	8	44,286	50,348
Total Other Assets		486,488	329,659
Current Assets			
Cash and Bank Balance	11	13,335	28,596
Receivables	13	16,921	6,397
Stock	12	3,105	2,035
Total Current Assets		33,361	37,006
Total Assets		1,135,918	769,803
Current liabilities			
Interest on Long Term Loans	19(h)	521,649	499,844
Payables	17	102,426	83,294
Kenya Government Loans	19(a)	260,512	238,166
External Loans due	19(h)	410,529	421,729
Bank Overdraft	11	9,357	17,667
Total Current Liabilities		1,304,473	1,260,678
Non-current liabilities			
Kenya Government Loans	19(a)	72,176	94,522
Ministry of Youth Affairs Loans	19(f)	85,000	98,500
Ministry of Gender Loans	19(g)	67,000	100,000
Total non-current liabilities		224,176	293,022
Total Liabilities		1,528,649	1,553,700
Share capital	15	80,277	80,277
Reserves	16(a)	(1,581,274)	(1,581,239)
Shareholders Funds		(1,500,997)	(1,500,962)
Grants	18(j)	1,108,266	717,065
Total Liabilities, Grants and Shareholders Funds		1,135,918	769,803

The Financial statements for 2011/2012 Financial year were signed on by

Julius O. Mokogi (Managing Director)

Wachira Mahihu (Chairman)



KENYA INDUSTRIAL ESTATES LIMITED

STATEMENT OF COMPEHENSIVE INCOME FOR YEAR ENDING 30TH JUNE 2012

	Notes	Year 2012 Kshs'000	Year 2011 Kshs'000
INTEREST INCOME	2	121,110	59,532
INTEREST EXPENSES	3	(29,062)	(29,013)
NET INTEREST INCOME		92,048	30,519
Rent Income		29,089	22,447
Other income		33,936	22,160
Government Grant		65,000	50,000
OPERATING INCOME		220,073	125,126
Operating Expenses	4(a)	(289,813)	(210,485)
Directors fees & expenses	4(b)	(9,689)	(5,876)
Operating Profit before provisions		(79,429)	(91,235)
Provisions for bad debts	5	95,196	10,972
Profit/(Loss) before Tax		15,767	(80,263)
RETAINED PROFIT/(LOSS) FOR THE YEAR		15,767	(80,263)
EARNINGS/(LOSS) PER SHARE	6	4	(20)

KENYA INDUSTRIAL ESTATES LTD
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2012

	Notes	30/6/2012 Kshs'000	30/6/2011 Kshs'000
Cash flow from operating activities			
Profit before taxation		15,767	(80,263)
Adjust for:			
Depreciation		23,569	15,409
Provision for bad debts/write back		(95,196)	(10,972)
Rent income		(29,089)	-
Payment of taxes		(8,363)	-
Other income		(33,936)	-
Net Interest Income		(92,048)	(30,519)
Profit on sale of Assets		(222)	1,085
		(219,518)	(105,260)
Changes in working capital			
Loan disbursement(advances to customers)	23(a)	(138,990)	(68,637)
Mortgage repayment	23(b)	2,723	3,048
Collections from loan, rent and other income	23(c)	252,920	110,964
Increase in stock		(1,070)	(448)
Increase in debtors		(10,524)	1,417
Increase in creditors		19,134	(2,210)
Net cash from operating activities		(95,326)	(61,126)
Cash flow from investing activities			
Purchase of assets		(245,654)	(158,652)
Interest on Bank Account		3,247	623
Proceed from asset disposal		234	5,848
Net cash used in investing activities		(242,172)	(152,181)
Cash flow from financing activities			
Gok fund		380,000	242,000
Payment of loan		(49,453)	(2,165)
Net cash from financing activities		330,547	239,835
Net increase in cash and cash equivalents		(6,951)	26,528
Cash and cash equivalents at beginning of period		10,929	(15,599)
Cash and cash equivalents at end of period		3,978	10,929

KENYA INDUSTRIAL ESTATES LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2012

	Share Capital	Capital Reserve	Revaluation Reserves	GOK Irredeemable Loans	Profit on sale of Sheds	Retained Profits	Tot
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'
As at 1/7/2010	80,277	22,523	207,594	190,257	68,637	(1,989,987)	(1,420,0
Net Profit for the year						(80,263)	(80,2
Dividends:							
Paid							
Issue of shares							
As at 30/6/2011	80,277	22,523	207,594	190,257	68,637	(2,070,250)	(1,500,9
As at 1/7/2011	80,277	22,523	207,594	190,257	68,637	(2,070,250)	(1,500,9
Transfer to Retained Profit						(15,802)	(15,8
Restated as at 1/7/2011	80,277	22,523	207,594	190,257	68,637	(2,086,052)	(1,516,7
Net Profit for the year						15,767	15,7
Dividends:							
Paid							
Issue of shares							
As at 30/6/2012	80,277	22,523	207,594	190,257	68,637	(2,070,285)	(1,500,9

KENYA INDUSTRIAL ESTATES LTD

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

1. SIGNIFICANT ACCOUNTING POLICIES.

a) Basis of preparation

The Financial Statements are prepared under the historical cost convention and as per the requirements of the IAS.

b) Revenue recognition

Revenue represents the fair value of consideration received or receivable for the sale of goods and services in the course of the company's activities. It is recognized when it is probable that future economic benefits will flow to the company and the amount of revenue can be measured reliably.

Interest income is recognized on a time proportion basis using the effective interest method.

c) Government grant

Government grant is accounted for on accrual basis. Government provides grant to organization for recurrent and capital expenditure. The Government grant related to income is presented separately as a credit in the statement of comprehensive income while capital grant is recognized in the statement of financial position under grant.

d) Property plant and equipment

All categories of property, plant and equipment are initially recognized at cost. Lease hold allocated by Government of Kenya is recognized at cost or professional valuation. Donated are stated at invoice value. Subsequently all items of property, plant and equipment are carried at cost less accumulated depreciation. The value of donated Assets is credited to capital reserve.

e) Depreciation

Leasehold land is written off in equal annual installments over the period of the lease. Other Fixed Assets are depreciated on the reducing balance basis to write off the cost of the assets over their expected useful life.

The annual rates of depreciation applied are as follows:

Building and improvements	2.5%
Furniture Fittings	10%
Office Equipment	12.5%
Computers	20%
Motor Vehicles	20%
Software	10%

KENYA INDUSTRIAL ESTATES LTD

NOTES TO FINANCIAL STATEMENTS CON'D

f) **Stock**

Stock is stated at the lower of cost or net realization value.

g) **Provisioning and Interest Suspension**

The Central Bank prudential regulations on provision of bad and doubtful debts have been adopted. Under these regulations, Interest income for accounts in arrears over three months is suspended and specific loss is provided for all accounts over six months.

The interpretation of it is shown on note 5.

h) **Cash and cash equivalent**

Cash and cash equivalent include cash in hand and Bank balance net of bank overdraft. In the statement of financial position, bank overdrafts are included as a liabilities under current liabilities.

i) **Employee Benefits**

The company operates two retirement schemes for its employees. It has a defined benefit schemes and a provident fund. The two schemes are funded by contribution from the company and employees. The Assets are held in separate trustee administered schemes. The company contributions are charged to statement of comprehensive income in year to which they relate. KIE also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and company contributions are charged to the statement of comprehensive income in the year to which they relate.

KENYA INDUSTRIAL ESTATES LTD

NOTES TO FINANCIAL STATEMENTS CON'D

2. INTEREST INCOME

	YEAR 2012	YEAR 2011
	<u>Kshs'000</u>	<u>Kshs'000</u>
Loans	68,722	55,342
Mortgage	2,798	27,713
Staff home and car loans	46,343	1,970
Interest on Bank Account	3,247	623
Total Interest Income	121,110	85,648
Less interest suspended		26,116
	<u>121,110</u>	<u>59,532</u>

3. INTEREST EXPENSES

Institution	YEAR 2012	YEAR 2011
	<u>Kshs'000</u>	<u>Kshs'000</u>
GOK Loans	9,983	9,930
Youth Enterprise Development Fund	985	980
Women Enterprise Fund Loans	1,000	994
KFW Loans	5,578	5,318
IDA 1	2,872	2,857
IDA II	1,100	1,094
ADF Loan	7,544	7,506
Belgium	-	334
Total Interest Expenses	<u>29,062</u>	<u>29,013</u>

4(a) OPERATING EXPENSES

Type of expenses	Year 2012	Year 2011
	<u>Kshs'000</u>	<u>Kshs'000</u>
Audit fees	400	400
Staff Costs	169,511	136,554
Staff retrenchment	-	-
Rent & Rates	4,025	1,798
Repairs & Maintenance	2,647	1,763
Light, Water & Conservancy	2,846	1,675
Communications	9,106	4,940
Bank charges	3,305	3,421
Depreciation	23,569	15,409
Insurance	3,834	4,357
Printing & Stationary	6,811	4,197
Professional & legal fees	15,364	6,010
Security expenses	12,533	9,354
Advertisement and Public Relations	6,213	2,264
Motor vehicle expense	5,015	3,175
Travelling expenses	15,467	11,135
General expenses	5,997	3,713
BAS expenses	3,170	320
Total	<u>289,813</u>	<u>210,485</u>

4(b) Directors fees & expenses

	Year 2012	Year 2011
Directors fees & expenses	<u>9,689</u>	<u>5,876</u>

KENYA INDUSTRIAL ESTATES LTD

NOTES TO FINANCIAL STATEMENTS CON'D

5. PROVISIONS FOR BAD & 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 ref. CBK/RG/10, NOV. 1996.

Classification and Provisioning

<u>Category</u>	<u>Classification</u>	<u>Provisioning</u>
A	Normal class	general provision of 1% of loan balance
B	Watch class	general provision of 2% of loan balance
C	Sub-standard class	20% of loan balance less suspended interest.
D	Doubtful class	100% of loan balance less suspended interest
E	Loss class	100% of loan balance less security

Provision for bad and doubtful debts

	<u>Year 2012</u>	<u>Year 2011</u>
	Kshs,000	Kshs,000
Provision for Bad Debts	95,196	10,972

Type of provisions	Loans	Mortgages	Staff	Rent	write off	Total
	<u>Kshs'000</u>	<u>Kshs'000</u>	<u>Kshs'000</u>	<u>Kshs'000</u>	<u>Kshs'000</u>	<u>Kshs'000</u>
General Provision	8,319	(3)	(1,165)	1,667	-	8,818
Specific Provision	86,617	5,217	-	-	-	91,834
Write off	-	-	-	-	(5,456)	(5,456)
Total Provision	<u>94,936</u>	<u>5,214</u>	<u>(1,165)</u>	<u>1,667</u>	<u>(5,456)</u>	<u>95,196</u>

KENYA INDUSTRIAL ESTATES LTD

NOTES TO FINANCIAL STATEMENTS CON'D

6. EARNINGS PER SHARE

Earnings per share are calculated on the loss attributed to shareholders of Kshs.80.2 million and the issued shares outstanding during the period.

EARNING PER SHARE	YEAR 2012	YEAR 2011
	<u>Kshs'000</u>	<u>Kshs'000</u>
Net Profit/(loss) for the year	15,767	(80,263)
No of Shares 4,013,865 @ Kshs.20 each	80,277	80,277
Earnings per share	3.9	(20)

7. FIXED ASSETS 2011/2012

Charge for Year	Leasehold Land	Building	Work in Progress	Office Equipment	Furniture & Fitting	Motor Vehicles	Computers	Software	To
									Kshs.'000
As at 1/07/2011	95,839	242,076	-	37,252	13,987	37,827	32,515	40,500	499
Adjustment	-	(8,812)	-	-	-	382	-	-	(8,4)
Additions	5,163	59,452	126,823	12,478	7,058	16,023	14,157	4,500	245
Revaluation Value	-	-	-	-	-	-	-	-	-
Historical value	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(2,515)	(63)	-	(2,5)
As at 30/6/2012	101,003	292,717	126,823	49,730	21,045	51,717	46,609	45,000	734
DEPRECIATION									
As at 1/07/2011	24,086	50,108	-	28,174	5,192	13,228	12,223	-	133
Depr. Adjustment	-	-	-	-	-	382	-	-	38
Charge for Year	1,647	4,549	-	1,412	921	7,150	3,426	4,463	23,5
Eliminated on Revaluation	-	-	-	-	-	-	-	-	-
Eliminated on Disposal	-	-	-	-	-	(2,185)	(51)	-	(2,2)
As at 30/6/2012	25,733	54,657	-	29,587	6,113	18,575	15,598	4,463	154
Net Book Value									
As at 30/6/2012	75,269	238,060	126,823	20,143	14,932	33,142	31,011	40,537	579
As at 30/6/2011	71,753	191,968	-	9,077	8,795	24,601	20,292	40,500	366

8. STAFF LOANS

Staffs loans are arrived at after netting off those loans that are unlikely to be collected, which relate to Former staff. These loans are secured and bear rates of 6% for members of staff who are still currently in KIE Employment and 15% for former members of staff. Car loans are payable within two (2) to seven (7) Years. These loans have been provided for.

STAFF LOANS	2012	2011
	<u>Kshs'000</u>	<u>Kshs'000</u>
House Loans	167,557	198,436
Car Loans	<u>293</u>	<u>3,726</u>
Total	167,850	202,162
Less Suspended interest	(67,647)	(106,690)
Less Specific Provision	(10,793)	-
Less General provision	<u>(45,124)</u>	<u>(45,124)</u>
Net balance	<u>44,286</u>	<u>50,348</u>

9. (a) LOANS

The table below shows the net loan balance after suspension of interest for all accounts categorized as standard, doubtful and loss accounts. These accounts are in arrears over six months. An additional specific provision is made for all accounts in arrears for period exceeding nine months. General provision is 1% loan balance for accounts in arrears for less than 3 months.

LOANS	Year 2012	Year 2011
	<u>Kshs'000</u>	<u>Kshs'000</u>
Loan balance	1,004,108	1,043,256
Suspended interest	(465,539)	(262,245)
Specific Provision	(152,406)	(542,892)
General provision	<u>20,447</u>	<u>12,103</u>
Net Asset	<u>406,610</u>	<u>250,222</u>

INDIA INDUSTRIAL ESTATE LTD
NOTES TO FINANCIAL STATEMENTS CONT'D

9. (b) Investment in Consolidated Bank Limited

	2012	2011
	<u>Kshs.'000</u>	<u>Kshs.'000</u>
Value of shares	11,200	11,200
<u>Share Held</u>		
Made up of		
a) 440,000 non-cumulative preference shares of Kshs 20/ each	8,800	8,800
b) 120,000 Ordinary Shares of Kshs. 20/= each	2,400	2,400
Total nominal value	<u>11,200</u>	<u>11,200</u>

10. (a) MORTGAGES

These are Industrial Sheds sold to entrepreneurs where 10% of the purchase price was paid as down payment and the balance is repaid over a period of 20 years.

Mortgages	Year 2012	Year 2011
	<u>Kshs'000</u>	<u>Kshs'000</u>
Mortgage Balance	290,441	287,054
Suspended interest	(263,762)	(261,626)
Specific Provision	(2,958)	(8,213)
General provision	<u>671</u>	<u>674</u>
	<u>24,392</u>	<u>17,889</u>

(b) INDUSTRIAL SHEDS

Repossessed sheds are held as fixed assets in the books at their historical value.

Industrial sheds	2012	2011
	<u>Kshs'000</u>	<u>Kshs'000</u>
Sheds	<u>36,152</u>	<u>36,152</u>
	<u>36,152</u>	<u>36,152</u>

KENYA INDUSTRIAL ESTATES LTD

NOTES TO FINANCIAL STATEMENTS CON'D

11. Cash and Bank

Cash and Bank	2012	2011
	<u>Kshs'000</u>	<u>Kshs'000</u>
Bank Balances	13,212	28,596
Cash in hand	123	-
Bank overdraft	(9,357)	(17,667)
Total	<u>3,978</u>	<u>(10,929)</u>

12. STOCK

Stock is stated at the lower of cost or net realization value.

Stock	2012	2011
	<u>Kshs'000</u>	<u>Kshs'000</u>
Stock	3105	2,035
Balance as at 30th June	<u>3105</u>	<u>2,035</u>

13. DEBTORS

These comprise rent, staff and sundry debtors.

Debtors	2,012	2,011
	<u>Kshs'000</u>	<u>Kshs'000</u>
Rent	13,329	3,394
Staff	6,476	6,096
Sundry	2,500	1,119
Investments:		
Pioneer building society	7,101	7,101
Cosmopolitan Building Society	4,012	4,012
Thabiti finance co ltd	3,728	3,728
Continental credit finance ltd	53,403	53,403
Accrued interest on investments	<u>47,925</u>	<u>47,925</u>
	138,474	126,778
Less provision for bad debts:		
Investments	(116,169)	(116,169)
Sundry debtors prov.	<u>(5,384)</u>	<u>(4,212)</u>
Balance	<u>16,921</u>	<u>6,397</u>

KENYA INDUSTRIAL ESTATES LTD
 NOTES TO FINANCIAL STATEMENTS CON'D

14. TIME DEPOSITS

	Rate	Period	Kshs'000
(i) Pioneer Building Society			
Nairobi Branch	15%	Call	240
	14.5	Call	5,870
Total	14	Call	5,370
Less Repayments			11,480
Less Repayments			4,039
			340
Less Provision			7,101
			7,101
			Nil
b) Cosmopolitan Building Society			
Nairobi Branch	13%	Call	2000
	13	Call	2000
Total	20.5	Call	12
Less Provision			4012
			4012
			Nil
(ii) Thabiti Finance Co Ltd			
Nairobi Branch	22%	Call	2,000
Total	20.5	Call	3,928
Dividend paid capitalized 5/6/1998			5,928
Dividend paid June 2000			-500
Dividend paid June 2003			-1,200
			-500
Less Provision			3,728
			-3,728
			Nil
(iii) Continental Credit Finance Ltd.			
Branch	Term	FDR NO	Kshs'000
Nairobi Branch	14.5%Call	A.008829	5,745
	14.5%Call	A.008830	1,651
	14.5% all	8848	2,612
	13% Call	8835	1,666
	14.5%Call	8843	2,590
	13% Call	8834	1,000

KENYA INDUSTRIAL ESTATES LTD

NOTES TO FINANCIAL STATEMENTS CON'D

	14.75% Call	8845	2,148
	14% Call	8844	2,070
	14% Call	8837	3,109
	14.5% Call	8852	752
	14.5% Call	8849	2,000
	14.5% Call	8836	1,150
	14% Call	8846	5,000
	14.5% Call	8853	4,108
	14% Call	8839	5,716
	14.5% Call	8842	4,786
	14.5% Call	8851	3,745
	14.5% Call	8850	4,000
	14.5% Call	8839	3,877
	14% Call	8840	2,164
	14% Call	8841	2,239
	14.5% Call	8832	156
	14.5% Call	8831	339
	14.5% Call	8847	3,110
	13% Call	A.008827	472
	14.5% Call	a.008828	5,266
	14.5% Call	8833	123
			<hr/>
	Total		71,594
	Repayment		-1,800
	Dividend paid		-16,391
			<hr/>
			53,403
	Less Bank Overdraft		-3,422
	Less Provision for bad debts		-49,981
			<hr/>
			-
(iv)	<u>Summary</u>		
		<u>2010</u>	<u>2009</u>
		<u>Kshs'000</u>	<u>Kshs'000</u>
	Total Fixed Deposits	67,990	67,990
	Add Accrued interest	47,925	47,925
	Total FTD and interest	<hr/>	<hr/>
		115,915	115,915
	Less Receipts	-	-
	Less Bank Overdraft	-3,422	-3,422
	Less Provision for Principal debt	-64,568	-64,568
	Less Provision for Accrued interest	-47,925	-47,925
		<hr/>	<hr/>
		-	-

KENYA INDUSTRIAL ESTATES LTD

NOTES TO FINANCIAL STATEMENTS CONT'D

15. SHARE CAPITAL

	2012 <u>Kshs.'000</u>	2011 <u>Kshs.'000</u>
Authorized share capital		
No of shares 10,000,000 @ Kshs.20.00	200,000	200,000
Issued and fully paid		
No. of shares 4,013,865 @ Kshs.20.00	80,277	80,277

16. (a) RESERVES

Type of Reserve	YEAR 2012 <u>Kshs'000</u>	YEAR 2011 <u>Kshs'000</u>
Capital Reserves	22,523	22,523
Revaluation Reserves	207,594	207,594
Profit on sale of sheds	68,637	68,637
GOK Irredeemable Loans	190,257	190,257
Retained Profit	<u>(2,070,285)</u>	<u>(2,070,250)</u>
Total	<u>(1,581,274)</u>	<u>(1,581,239)</u>

RETAINED PROFIT

	YEAR 2011 <u>Kshs'000</u>	YEAR 2011 <u>Kshs'000</u>
Net profit/Loss	15,767	(80,263)
Retained Profit	<u>(2,086,052)</u>	<u>(1,989,987)</u>
	<u>(2,070,285)</u>	<u>(2,070,250)</u>

16. (a)

(i) Capital Reserves

These were donation on machinery, motor vehicles, computer and construction of shed in year 1984 to 1992.

(ii) Revaluation Reserves

This refers to the revaluation of land and building done in the financial 1993/1994.

(iii) Profit on sale of sheds

This refers to total profit for industrial sheds sold on mortgage 15 year ago.

(iv) GOK Irredeemable Loans

The amount of Kshs. 190,257,000/= includes the book value of Kshs. 137,900,000/= of Industrial Sheds constructed as at 30th June, 1985 from Government of Kenya Loans up to 30th June 1985. These loans are irredeemable subordinate to equity and bear no interest. These are included as part of reserves. They were part of the restructuring done on that date.

KENYA INDUSTRIAL ESTATES LTD
 NOTES TO FINANCIAL STATEMENTS CON'D

17. CREDITORS

The figure is made up of the following:

	Year 2012 Kshs'000	Year 2011 Kshs'000
Creditors	96,961	70,814
Suspense account	<u>5,465</u>	<u>12,479</u>
Total	<u>102,426</u>	<u>83,293</u>

18. GRANTS

a. Norwegian Government

	2012 Kshs.'000	2011 Kshs.'000
Balance as at 30 th June	<u>146,039</u>	<u>146,039</u>

Under the terms of this grant interest earned on the deposit and part of the interest earned on disbursed funds is credited to the revolving fund. None was accrued this year.

b. E.E.C Grant

	2012 Kshs.'000	2011 Kshs.'000
Balance as at 30 th June	<u>1,857</u>	<u>1,857</u>

Under the terms of this grant, 3% of the interest earned on disbursed funds is credited to the revolving fund. None was accrued this year.

c. G.T.Z Grant for ISL

	2012 Kshs.'000	2011 Kshs.'000
Balance as at 30 th June	<u>17,594</u>	<u>17,594</u>

Under the terms of this grant, the excess of administration expenses over income earned out of financing from grant is withdrawn from the revolving fund and credited to the Income Account and subsidy.

d. GTZ Financing Grant

	2012 Kshs.'000	2011 Kshs.'000
Balance as at 30 th June	<u>4,385</u>	<u>4,385</u>

Under the terms of this grant the amount utilized for development of prototypes for Renewal Energy is treated as subsidy and withdrawn from the grant. There were no developments of the Prototypes for Renewal Energy in the current year.

KENYA INDUSTRIAL ESTATES LTD
 NOTES TO FINANCIAL STATEMENTS CONT'D

e. KFW Grant for Informal Sector Loans

	2012	2011
	Kshs.'000	Kshs.'000
Balance as at 30 th June	<u>72,943</u>	<u>72,943</u>

f. GTZ CO-OPERATION FUND

	2012	2011
	Kshs.'000	Kshs.'000
Balance as at 30 th June	<u>3,705</u>	<u>3,705</u>

g. GOK GRANT

	2012	2011
	Kshs.'000	Kshs.'000
Balance as at 30 th June	463,777	221,777
Amount received	<u>380,000</u>	<u>242,000</u>
Balance as at 30 th June	<u>843,777</u>	<u>463,777</u>

h. UNDP GRANT

	2012	2011
	Kshs.'000	Kshs.'000
Balance as at 30 th June	<u>6,766</u>	<u>6,766</u>

i. BELGIUM GRANT

	2012	2011
	Kshs.'000	Kshs.'000
Balance as at 30 th June	<u>11,200</u>	-

j. SUMMARY OF GRANTS INSTITUTION

	2012	2011
	Kshs.'000	Kshs.'000
Norwegian Government	146,039	146,039
EEC Grant	1,857	1,857
GTZ Grant for ISL	17,594	17,594
GTZ Rep. Financing Grant	4,385	4,385
KFW Grant for ISL Loans	72,943	72,943
GTZ Co-operation Fund	3,705	3,705
GOK GRANT	843,777	463,777
UNDP GRANT	6,766	6,766
Belgium Grant	<u>11,200</u>	-
Total	<u>1,108,266</u>	<u>717,066</u>

NOTES TO FINANCIAL STATEMENTS CON'D

19. GOVERNMENT OF KENYA AND EXTERNAL LOANS

a) Kenya Government Loans

	2012	2011
	<u>Kshs.'000</u>	<u>Kshs.'000</u>
Balance as at 30 th June	332,688	332,688
Received during the year	-	-
Repayment	-	-
Repayment due-current liability as at 30 th June.	<u>260,512</u>	<u>238,166</u>
Balance outstanding as at 30 th June	<u>72,176</u>	<u>94,522</u>

The loans carry interest of 3% per annum payable to the Treasury on 31st December and 30th June each year commencing from July 1984 and are included as part of accrued interest on long Term Loans.

b) IDA I Loans

	2012	2011
	<u>Kshs.'000</u>	<u>Kshs.'000</u>
Balance as at 30 th June	47,849	47,849
Received during the year	-	-
Repayment	-	-
Repayment due –Current liability as at 30 th June	47,849	47,849
Balance outstanding as at 30 th June	-	-

c) IDA II (1738-KE)

	2012	2011
	<u>Kshs.'000</u>	<u>Kshs.'000</u>
Balance as at 30 th June	18,321	18,321
Received during the year	-	-
Repayment due-current liabilities as at 30 th June	18,321	18,321
Balance outstanding as at 30 th June	-	-

Interest on these loans is computed at 6% per annum and payable half yearly. IDA I Loan is payable through the Government of Kenya over 15 years with effect from 1st July 1985. Repayment of IDA II Loan Commenced from 15th August 1995.

KENYA INDUSTRIAL ESTATES LTD ;

NOTES TO FINANCIAL STATEMENTS CON'D

d) Development Loan Co-operation (KFW or West Germany)

	2012	2011
	Kshs.'000	Kshs.'000
Balance as at 30 th June	92,935	92,935
Received during the year	-	-
Repayment due-current liabilities a at 30 th June	<u>92,935</u>	<u>92,935</u>
Balance outstanding as at 30 th June	-	-

They relate to amount disbursed by KFW up to 10th June 1989 in respect of the approved and finance projects in accordance with the terms of the agreement dated 26th March 1974 between Kenya Government and KFW. Interest on this loan is computed at the rate of 6% per annum and payable half yearly. This loan was repayable through the government of Kenya over 15 years with effect from 1st July 1985.

The exchange risk in respect of borrowings in US Dollars and SDRs from IDA and Deutsche Marks from KFW is borne by the Government of Kenya.

e) African Development Bank (ADF)

	2012	2011
	Kshs.'000	Kshs.'000
Balance as at 30 th June	251,424	251,424
Received during the year	-	-
Repayment due-current liabilities as at 30 th June	<u>251,424</u>	<u>251,424</u>
Balance outstanding as at 30 th June	-	-

This loan carries an interest rate of 3% per annum and repayable through the Government of Kenya over 15 years period with effect from 1/7/97

f) Youth Enterprise Fund

	2012	2011
	Kshs'000	Kshs'000
Balance 30 th June	<u>85,000</u>	<u>98,500</u>

The loan carries an interest rate of 1% per annum payable to the Youth Enterprise Fund.

g) Women Enterprise fund

	2012	2011
	Kshs'000	Kshs'000
Balance 30 th June	<u>67,000</u>	<u>100,000</u>

The loan carries an interest rate of 1% per annum payable to the Women Enterprise Fund

KENYA INDUSTRIAL ESTATES LTD

NOTES TO FINANCIAL STATEMENTS CON'D

h) Summary of External and GOK loans

Institution	Loans due	Principal Outstanding	Total 2012	Cumulative Interest to 30.06.2012	Principal balance as at 30.06.2011	Cumulative Interest to 30.06.2011
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
IDA 1 Loan	47,849	-	47,849	69,501	47,849	66,630
IDA 11 Loan	18,321	-	18,321	30,474	18,321	29,375
KFW Loan	92,935	-	92,935	139,277	92,935	133,699
DF loan	251,424	-	251,424	140,164	251,424	132,620
Belgium Loan	-	-	-	-	11,200	5,72
Subtotal	410,529	-	410,529	379,416	421,729	368,04
Moya loan	85,000	-	85,000	280	98,500	(5,
Ministry of Gender loans	67,000	-	67,000	286	100,000	11
GoK Loans	260,512	72,176	332,688	141,666	332,688	131,682
Total	823,041	72,176	895,217	521,649	952,917	499,8

Interest on loans comprises interest on Government of Kenya loans of Kshs.141, 666,000.00 and other financiers Kshs.379, 416,000.00 as at 30th June 2012

20. CONTINGENT LIABILITIES

These comprise:

a. Bank overdraft

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. Corporation Tax

This exists for the Financial Years 1997 and 1998 where the company has filed a section 90 appeal against self-assessment. Self-assessment tax of Kshs. 7,816,201.00 has been paid to Kenya Revenue Authority.

c) Land and Buildings

There is disputed ownership of staff houses in Eldoret where titles were obtained fraudulently. The matter is in court.

21. Prior period errors

Kshs.15, 801,905 relating to prior period errors were restated in the opening Balance of the reserves as at 01/07/2011.

22. Staff costs

Staff cost for the year 2011/2012 were Kshs.169.0 Million compared to Kshs.137.0 Million. Staff members were 250 compared to 217 in the previous financial year. The company implemented 15 to 20% salary increase for all cadres to boost staff morale and increase productivity.

23. Comparative information on statement of cash flow for 2011/2012

In the 2011/12 cash flow statement some items for comparative information were reclassified. The items which were previously presented under financing activities were moved to operating activities. The reclassification was done as an improvement to the presentation of the Statement in line with illustrative example on cash flow for financial institutions in IAS 7.

The reclassified items are as follows:

a) Loan disbursement (Advances to customers)	Kshs. (68,637,000.00)
b) Mortgage repayment	Kshs. 3,048,000.00
c) Loan, rent, and other income	<u>Kshs. 110,964,000.00</u>
Total	<u>Kshs. 45,375,000.00</u>

