REPUBLIC OF KENYA

KENYA NATIONAL AUDIT OFFICE

Paper laid by Hon. Metito (Majority Whip) on 14.04.2015.

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF INDUSTRIAL AND COMMERCIAL DEVELOPMENT CORPORATION

FOR THE YEAR ENDED 30 JUNE 2014

Industrial and Commercial Development Corporation

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30 JUNE 2014

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

Contents **Page**

KEY ENTITY INFORMATION

Background information

The Industrial and Commercial Development Corporation was established in 1954 by the (ICDC) Act (Cap.445 Laws of Kenya). At cabinet level, the Industrial and Commercial Development Corporation is represented by the Cabinet Secretary for Industrialisation and Enterprise development who is responsible for the general policy and strategic direction of the Corporation.

Principal Activities

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

Directors

The Directors who served the Industrial and Commercial Development Corporation during the year were as follows:

1.	Martin K. Muragu	- Chairman	- Appointed on 9th September, 2009
2.	Peter M Kimurwa	- Executive Director	- Appointed on 14thJuly, 2010
3.	Albert Ruturi		- Appointed on 20th January, 2009
4.	Bernard G Njuguna		- Appointed on 1st October 2009
5.	Abdirahman Yare Haji		- Retired on 14th August, 2013
6.	Samuel K. Njonde		- Retired on 20th October, 2013
7.	Said H S Gedi		- Retired on 2nd November, 2013
8.	Principal Secretary, Ministry of Industrialization & Enterprise Development		- Alternate: Samson Olala
9.	Principal Secretary, National Treasury		- Alternate: Daniel Mutua

Corporation Secretary

Grace M. Magunga
PO Box 45519
00100 Nairobi

Registered Office

Uchumi House
Aga Khan Walk
PO Box 45519 - 00100
Nairobi, Kenya

Corporate Headquarters

Uchumi House
Aga Khan Walk
PO Box 45519 - 00100
Nairobi, Kenya

Corporate Contacts

Telephone: (254) 020-229213/2771000
Mobile: 0727534572/0736229213
E-mail: info@icdc.co.ke
Website: www.icdc.co.ke

Corporate Bankers

1. Kenya Commercial Bank Limited
   Moi Avenue
   P.O. Box 30081-00100
   Nairobi

2. Commercial Bank of Africa Limited
   Wabera Street
   P.O.Box 30437 – 00100
   Nairobi

3. Co-operative Bank of Kenya Limited
   Uchumi House
   Aga Khan Walk
   P.O.Box 40310 – 00100
   Nairobi

Independent Auditors

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

Principal Legal Adviser

Grace M Magunga
Corporation Secretary
Uchumi House Aga Khan Walk,
P.O. Box 45519
GPO 00100
Nairobi, Kenya

BOARD OF DIRECTORS

1. Martin K. Muragu, MBS - Chairman

Mr. Muragu is the Chairman of Industrial & Commercial Development Corporation (ICDC) since September 2009. With a long career in financial services, working at senior executive level, Muragu has extensive experience of over 30 years in project financing. He was the Head of Projects Finance at the Development Bank of Kenya and a Consultant for Small Enterprises Finance Company Ltd. He has promoted and facilitated establishment of numerous successful private enterprises which have contributed to the creation of employment and wealth for Kenyans. He was awarded the Moran of the Order of the Burning Spear medal (MBS) by His Excellency the former President of the Republic of Kenya, Hon. Mwai Kibaki, C.G.H, M.P for his distinguished service in the financial sector. Mr. Muragu holds a Bachelor of Science degree in Industrial Engineering from the University of Missouri, Columbia, USA and a Bachelor of Science degree in Statistics & Applied Economics from Makerere University, Kampala, Uganda.

2. Peter M. Kimurwa - Executive Director

Mr. Kimurwa is the Executive Director of Industrial & Commercial Development Corporation (ICDC) and a Board member since July 2010. He is a specialist in Strategy, Business Development and Financial Management. His extensive career has seen him work in various managerial positions being responsible for investments, strategic planning and implementation of various projects. He has worked in Senior Management positions at East African Breweries Limited, Linksoft Communications Limited, BOC Kenya Limited, British American Tobacco Eastern Africa Limited and PricewaterhouseCoopers. He is the Executive Director of ICDC. He sits as a director in Centum Investments Co. Ltd., General Motors E.A. Ltd., Rift Valley Bottlers Ltd., Kisii Bottlers Ltd., and Mount Kenya Bottlers Ltd. Mr. Kimurwa holds a Bachelor of Commerce degree from Kenyatta University and a Master of Business Administration degree from INSEAD University in Fontainebleau, France. He is a Certified Public Accountant, (CPA-K).

3. Daniel Mutua - Alternate to PS, The National Treasury

Mr. Mutua was appointed to the Board in 2006. He is an alternate director to the Principal Secretary, The National Treasury and is a Senior Assistant Director of Investments. He has over 21 years work experience in the public sector specialising in Public Private Partnerships and Investment Analysis. He has served in various government offices including the Public Service, Teachers Service Commission, Ministry of Labour, Office of the Vice President and Ministry of Finance. He also sits on the Boards of Export Processing Zone Authority, Chepkoilel University College Council and Mbusyani Secondary School. Mr. Mutua holds a Bachelor of Education degree in Business Economics from Kenyatta University, a Master of Business Administration degree from ESAMI and a Master of Science degree in Management from the Netherlands.

4. Samson O. Olala, OGW - Alternate to PS, Ministry of Industrialisation and Enterprises Development

Mr. Olala was appointed to the Board in 2014, as an alternate to the Principal Secretary, Ministry of Industrialisation and Enterprise Development. He is a Senior Chief Finance Officer at the Ministry. He has vast experience in the field of Financial Management and Administration. Mr. Olala has worked as Head of Finance departments in various government offices including the Ministry of Cooperative Development, Public Service Commission of Kenya, Ministry of Agriculture, Ministry of Water and Irrigation. Mr. Olala has previously served on boards of National Irrigation Board, National Water and Pipeline Corporation, Kenya Agricultural Research Institute and Agro Chemical & Foods Company. He was conferred the Order of the Grand Warrior of Kenya (OGW) by His Excellency the former President of the Republic of Kenya, Hon. Mwai Kibaki, C.G.H, M.P, for his exemplary service to the Nation. He holds Bachelors of Art degree in Economics from the University of Nairobi and a Diploma in Financial Management from Kenya College of Accountancy.

BOARD OF DIRECTORS (CONTINUED)

5. Bernard Njuguna - Director

Mr. Njuguna was appointed to the Board in October 2009.He is an entrepreneur with vast business knowledge and extensive experience of over 22 years, managing businesses in the fast moving consumer goods sector. He has held several senior managerial positions in his career and was Area Manager at Total Kenya before going into private business. He is currently the Managing Director of Outlook Ltd.Mr. Njuguna holds a Bachelor of Arts degree in Economics and Sociology from the University of Nairobi

6. Albert Ruturi - Director

Mr. Ruturi was appointed to the Board in January 2009.He is a career banker with experience spanning over 40 years in the Banking Industry. In his executive career, he was the Chief Operating Officer of Barclays Bank of Kenya Ltd. and subsequently Chief Operating Officer, Kenya Commercial Bank. He has excellent leadership skills and has made substantial contribution to the overall growth of the organisations he has worked for. He sits as a director in Church Commissioners of Kenya and St. John's Ambulance. He is currently the Managing Director of K-REP Bank Ltd.Mr. Ruturi is a graduate of Manchester Business School and holds a Diploma in Human Resources Management from Cranfield University, UK. He has attended a Conflict and Resolution Seminar at Oxford University, UK.

7. Grace M. Magunga - Corporation Secretary

Mrs. Magunga has been the Company Secretary since 2006. She has wide experience spanning over 19 years in Legal Matters and Corporate Secretarial Services, gained at ICDC. She is also the Company Secretary of Mount Kenya Bottlers Ltd., Kisii Bottlers Ltd., Rift Valley Bottlers Ltd., Funguo Investment Ltd., Kenya National Trading Corporation Ltd., Funguo Registrars Ltd., Focus Container Freight Station and Wananchi Saw Mills Ltd. She holds a Bachelor of Law degree from The University of Nairobi and a Diploma in Legal Practice. She is a Certified Public Secretary, (CPS- K).

8. Said H.S. Gedi - Director

Mr. Gedi was appointed to the Board in November 2010. He is a businessman with diversified experience of over 30 years in Export and Import. He is an entrepreneur and a philanthropist having started several schools in Mandera and Garissa counties. He is the Director of Gedi Enterprises and Elegant Trading Company Ltd. Mr. Haji has excellent leadership and business management skills.

9. Abdirahman Yare Haji - Director

Mr. Haji was appointed to the Board in August 2007.He has over 28 years experience in Construction, Sales and Marketing. He has held several senior management positions during his career, including Chief Logistics Director of Hass Petroleum and Finance Director of Northern Norle Service. He is also a member of the Board of Kenya National Library Services, National Archives Advisory Council, Habaswein Boys Secondary School and Wajir Boys High School. He holds an Islamic Law degree from Medina University as well as a Diploma in Business Administration and in Sales and Marketing.

10. Samuel K. Njonde - Director

Mr. Njonde was appointed to the Board in October 2010.He has more than 30 years experience in Information Technology, Finance and Logistics specialising in Business Systems, Business Development and Computer Systems. Other directorships that he holds include Kentrade Agency, Petrocity Energy (K) Ltd, Compact Freight Systems and Nairobi Bureau De Change.Mr. Njonde holds a Bachelor of Science degree in Mathematics and Computer Science.

MANAGEMENT TEAM

1. Peter M. Kimurwa - Executive Director

Mr. Kimurwa is the Executive Director of Industrial & Commercial Development Corporation (ICDC) since July 2010. He is a specialist in Strategy, Business Development and Financial Management. His extensive career has seen him work in various managerial positions being responsible for investments, strategic planning and implementation of various projects. He has worked in Senior Management positions at East African Breweries Limited, Linksoft Communications Limited, BOC Kenya Limited, British American Tobacco Eastern Africa Limited and PricewaterhouseCoopers. He sits as a director in Centum Investments Co. Ltd., General E.A. Ltd., Rift Valley Bottlers Ltd., Kisii Bottlers Ltd., and Mount Kenya Bottlers Ltd. Mr. Kimurwa holds a Bachelor of Commerce degree from Kenyatta University and a Master of Business Administration degree from INSEAD University in Fontainebleau, France. He is a Certified Public Accountant, (CPA – K).

2. Mbatha Mbithi - Chief Manager Operation

Ms. Mbithi is the Chief Manager Operations, a position she has held since September 2009. She has a solid background in Finance and Banking having worked in middle and senior management level positions in five commercial banks. Prior to joining ICDC, she was Head of Credit at Family Bank Ltd. She also sits on the Boards of Uchumi Supermarkets Ltd., Development Bank of Kenya Ltd. and IDB Capital Ltd. She holds a Master of Business Administration degree in Strategic Management from Moi University and a Bachelor of Science Degree in International Business Administration from the United States International University. She is a member of the Kenya Institute of Management.

3. Grace Magunga - Corporation Secretary

Mrs. Magunga is the Corporation Secretary since 2006. She has wide experience spanning over 19 years in Legal Matters and Corporate Secretarial Services, gained at ICDC. She is also the Company Secretary of Mount Kenya Bottlers Ltd., Kisii Bottlers Ltd., Rift Valley Bottlers Ltd., Funguo Investment Ltd., Kenya National Trading Corporation Ltd., Funguo Registrars Ltd., Focus Container Freight Station and Wananchi Saw Mills Ltd. She holds a Bachelor of Law degree from University of Nairobi and a Diploma in Legal Practice. She is a Certified Public Secretary, (CPS – K).

4. Joseph Mwaura - Special Projects Manager

Mr. Mwaura is the Manager in charge of Special Projects since December 2014. He is the immediate former Finance Manager of the Corporation, a docket that he held for the last nine years. He has over 27 years experience in Finance and Accounting gained at ICDC, Kenya Wine Agencies Ltd and Kenya National Trading Corporation Ltd. He holds a Bachelor of Commerce degree in Accounting from the University of Nairobi. He is a Certified Public Accountant, (CPA – K).

5. Faith Nene - Human Resources & Administration Manager

Mrs. Nene is the Human Resources & Administration Manager since September 2005. She has a wide range of experience in Human Resource management spanning over 18 years working at ICDC and has knowledge of all facets of HR and Administration. She holds a Master of Science degree in Human Resources Management from the University of Manchester, UK as well as a Bachelor of Arts degree in Government & Philosophy from the University of Nairobi. She is a member of Institute of Human Resource Management (IHRM).

MANAGEMENT TEAM (CONTINUED)

6. Byron Mudhune - Strategy & Risk Manager

Mr. Mudhune is the Strategy and Risk Manager since March 2009. He has over 12 years experience in Corporate and Investment Banking, Strategy Development & Planning with Local and International Banks such as AbnAmro Bank, Citibank in Nairobi, Lloyds TSB Bank and JP Morgan Chase Bank in London. He has also been involved in Strategy and Operations Planning for Kenya Airways. He holds a Bachelor of Commerce degree from the University of Nairobi, a Diploma in Financial Services, a Postgraduate Education in Economics, Finance and Banking from the University of Portsmouth, UK. He is a member of the Chartered Banker (UK) and a Consultant in Finance.

7. Dismas J.O Oyieko, HSC - Portfolio Manager

Mr. Oyieko is the Portfolio Manager since December 2014. Prior to this appointment, he held the position of Special Projects Manager. He has over 15 years experience at Senior Management Level, having worked as Head of Department in various portfolios within ICDC. He was awarded the Head of State Commendation in 2004, by His Excellency the former President of the Republic of Kenya, Hon Mwai Kibaki C.G.H, M.P. He holds a Master of Science degree in Development Finance from the University of Birmingham, UK and a Bachelor of Commerce degree in Accounting from the University of Nairobi.

8. Isaac Ole Ntiki - Business Development Manager

Mr. Ole Ntiki is the Business Development Manager since 2009. He has experience of over 8 years in Customer Service, Corporate Communication, Branding, Product Development, Investment Appraisal & Funding and Sales & Marketing having worked with CFC Stanbic Bank and First Community Bank. He is an expert in Business Advisory Services. He holds a Master of Business Administration degree in Strategic Management and a Bachelor of Commerce degree in Marketing & Management from Africa Nazarene University. He is a member of Marketing Society of Kenya as well as Public Relations Society of Kenya.

9. Wilson Kamau - Internal Audit Manager

Mr. Kamau is the Internal Audit Manager since August 2005. He has experience of over 30 years in Accounting, Finance and Audit having worked in Central Government, Local Government and ICDC. He holds a Master of Business Administration degree from United States International University and a Bachelor of Commerce degree from University of Jabalpur, India. He is a Certified Public Accountant, (CPA – K) and has a Certificate in Computer Programming.

10. Erasto Shako- Equity Manager

Mr. Shako is the Equity Manager since July 2010. He has a wide experience of over 25 years in Private Investment Appraisal, Risk Analysis, Enterprise Valuations, Quality Management Systems and Related Engineering Services. He holds a Bachelor of Science degree in Mechanical Engineering from the University of Nairobi.

11. Peter Mwangi - ICT Manager

Mr. Mwangi is the Information, Communication & Technology (ICT) Manager since 2006. He has extensive experience in ICT spanning over 21 years having worked in various organisations including Strathmore Business School, Missions for Essential Drugs & Supplies and Africa Online Holdings. He holds a Master of Science degree in Information Systems from University of Nairobi, a Bachelor of Science degree in Mathematics & Physics from Egerton University, a Bachelor of Science degree in Computer Science from University of Natal, South Africa and a Post Graduate Diploma in Computer Science from University of Nairobi.

MANAGEMENT TEAM (CONTINUED)

12. Edward Gitau - Credit Manager

Edward Gitau is the Credit Manager since May 2014. He has 25 years experience in finance analysis, investment appraisal, enterprise valuations and investment monitoring. He holds a bachelor's degree in Economics and statistics from the University of Nairobi. He is a Certified Investments and Financial Analyst (CIFA) and a member of the institute of certified investments and financial analysts (ICIFA).

13. Kennedy Wanderi- Finance Manager

Kennedy M. Wanderi, is the Finance Manager since May 2014. He has wide experience of over 20 years in Finance and Accounting gained at ICDC. He has also served as the ICDC Eldoret Branch Manager. He holds a Master of Business Administration degree in Finance and Banking, and a Bachelor of Business Management degree from Moi University. He is a Certified Public Accountant.

CHAIRMAN'S STATEMENT

As ICDC celebrates 60 years of existence since its inception in 1954, I am pleased to report the Corporation's exemplary performance for the financial year ended 30th June 2014. The Corporation made significant investments in key areas of the economy resulting in increased revenue of twenty five per cent from the previous year.

As the country's economy continues to evolve, ICDC is dedicated to keeping its promise of Creation of sustainable wealth for Kenya and Kenyans. This will be achieved by supporting investments in sectors of the economy that promise both economic and social returns like manufacturing, agro-processing value addition, financial services, education, health, energy and other key sectors that are core to Kenya's economic development.

ICDC's mandate is to promote the establishment and growth of industrial and commercial enterprises through provision of financial services and managerial support, and this has not changed over the past 60 years. Given the strong emphasis of Vision 2030 on economic growth and prosperity, the Corporation intensified its marketing activities by partnering with key stakeholders to leverage on innovative ideas and private sector resources that are beneficial to economic growth. Some of the marketing tactics employed during the year under review were participation at various investment forums, golf tournaments, trade exhibitions and business networking opportunities that appeal to ICDC's target market. This was done in various parts of the country in order to share ideas and educate the audience about ICDC's products and services.

In targeting County Governments to create wealth for all Kenyans, ICDC made significant investments in Kilifi, Uasin Gishu, Nyeri, Nairobi, Nakuru, Migori, Kiambu and Mombasa counties. These investments have contributed towards the Corporation's increased business portfolio and have created many jobs in the respective counties.

Three years after the rebranding, in a bid to remain relevant in the competitive business environment of the 21st Century, the Corporation has increased its visibility in the market thereby attracting and creating new investments upto the tune of Kshs 3 billion in a number of private enterprises thus creating jobs and wealth.

Overview of the Operating Environment

Amidst the challenges of insecurity experienced in the country and the operationalisation of the devolved system of governance during the year under review, the overall economic activity expanded by 4.7 percent. This performance is attributed to the strong economic fundamentals, together with the renewed investor confidence following the peaceful elections of early 2013.

During the period under review, the various economic sectors recorded mixed performance. There was a 4.8 percent growth in the manufacturing sector compared to 3.2 percent in the year 2012 while the agricultural sector decelerated in 2013 to 2.9 percent from a revised growth of 4.2 percent in 2012 partly due to inadequate rainfall received in some grain growing regions. According to the 2014 Economic Report presented by the Cabinet Secretary in the Ministry of Devolution and Planning, one of the policy interventions that the Government should embark on is to collaborate with the county governments and ensure that each county has at least one agricultural value addition processing plant in order to maximize on the high production during glut seasons. This is one area the Corporation will be seeking to support.

Financial Performance

During the financial year ended 30th June 2014, the Corporation registered a 25.7% increase in pre-tax profit which stood at Kshs 602.4 million compared to Kshs 479.2 million realised in the previous year 2012/2013. The increased profitability was mainly due to higher dividend earnings from investments, higher interest income and higher earnings from investment property. New investments during the period amounted to Kshs 849.7 million.

Review of Core Business activities

The Corporation continued to grow its investment portfolio in various economic sectors. Some of the investments made within this financial year include:

i) A credit facility to a startup company that is set to manufacture cordial fruits and flavoured beverages using a well-known trade mark.

CHAIRMAN'S STATEMENT (CONTINUED)

Review of Core Business activities (continued)

ii) An equity stake in a new master planned urban node on 100 acres of prime property located in Runda along Limuru Road that seeks to meet the high demand for premium facilities providing retail, entertainment and lifestyle facilities, modern office parks, residential apartments, hotels and public amenities.

iii) A strategic partnership in a mini hydro power generating plant in Nyeri County, to boost the government's efforts in increasing power on the national grid.

iv) An equity stake in a new ultra-modern heart, kidney and diabetes specialist hospital that will offer advanced diagnostic and treatment facilities to be constructed in Kiambu County.

v) A credit facility to an established institution in the hospitality industry that required expansion of its facilities to meet the increasing demand for its services.

vi) Support by way of a credit facility to Uchumi Supermarkets Limited to support expansion and refurbishment

In the quest for quality service delivery, we reviewed our Customer Service Charter outlining our range of products and our commitment to world class service. This Service Charter is our commitment to high quality service to our customers and stakeholders.

People

Our people remain our single most valuable resource and our greatest competitive advantage. The alignment of our people to the strategic objectives has enabled the Corporation maintain a consistent and impressive record of performance. During the year under review the Corporation introduced the balanced scorecard performance management framework with a view to optimizing performance. Various programs for learning and growth were also implemented so as to enhance employee competencies and capabilities.

Corporate Social Responsibility

Operating in a responsible and sustainable manner is imperative to ICDC. As a socially responsible public institution ICDC is committed to supporting social, environmental and economic activities that contribute to the society's goal of sustainable development. During the year under review, we demonstrated these responsibilities through support of Joyful Women Organisation (JOYWO) 2013 event, a national NGO that supports growth of low income women's enterprises into large scale successful businesses with operations in 36 counties with an aim of covering all 47 counties by 2015. The Corporation also in partnership with the Kenya Organisation of Environmental Education (KOEE) participated in the tree planting exercise at Ngong Forest in an effort to conserve the country's Aberdares water tower.

Corporate Governance

Corporate governance is a matter of high importance to the Corporation and is undertaken with due regard to all of the Corporation's stakeholders and its role in the community. Corporate governance at ICDC is premised on management and control of the Corporation geared towards maximizing shareholder value while safeguarding the rights and interests of all stakeholders. Corporate Governance permeates all levels of Management and this has led to the success of the Corporation.

Board of Directors

The Directors who held office during the year under review and to the date of this report are listed under the board of directors. The Board currently comprises five (5) directors four (4) of whom are non-executive directors while two (2) are independent. The independent directors bring with them independent judgement on matters of strategy, management of corporate risk and resource utilisation.

CHAIRMAN'S STATEMENT (CONTINUED)

Board of Directors (continued)

The ICDC Board is the custodian of the Corporation's resources, and recognises its responsibility to provide leadership and control, strategic and business direction, and maintain accountability to the Stakeholders for financial performance. It oversees risk management, is responsible for investment and ensures high compliance with relevant laws and regulations.

The Board has constituted three standing committees to assist in discharging its duties. These committees operate under specific terms of reference which are available on request through the Corporation Secretary's office. The Board members collectively have sufficient qualifications and experience to fulfil the duties of the respective Committees. Minutes of all meetings of Board Committees are circulated to all Directors for information with their board papers and are formally noted by the Board. A description of each of the committees is given below.

- **Audit and Risk Committee**

This Committee currently consists of three (3) non-executive directors. The Audit and Risk Committee reviews the Corporation's annual and interim financial statements, considers the significant financial reporting issues and judgements which they contain and makes recommendations to the Board concerning their approval and contents. The Committee also monitors the integrity and effectiveness of the Corporation's system of internal control. It reviews the scope of the audits and the plans, findings and recommendations of the Internal Auditor and External Auditors. The Committee is responsible for monitoring the independence of the External Auditors who have unrestricted access to the Committee.

The Corporation's system of internal control includes.

- An organisation structure which clearly defines authority limits and reporting mechanisms to senior levels of management and to the Board. This is outlined in the various Operation policies and manuals;

- A quarterly budgeting and financial reporting system for all departments which enables progress against plans to be monitored, trends to be evaluated and variances to be acted upon; and a set of policies and guidelines adhered to by all departments.

- The Internal Audit function reports administratively to the Executive Director and the Audit and Risk Committee. The system of internal control is reviewed by the Internal Auditors. Emphasis is focused on areas of greatest risk as identified by risk analysis.

The Audit and Risk Committee also reviews the Risk Management Policy and plans and monitors the risk Management process.

- **Staff and General Purposes Committee**

This Committee currently consists of Four (4) Directors, which includes the Executive Director. It addresses issues pertaining to staff and any other issues as may be delegated by the Board from time to time. A recurrent agenda before this committee is employee remuneration levels, development, and motivation. It ensures that the correct incentives and reward mechanisms are in place in the corporation whilst maintaining the principles of equity and appropriateness of compensation. In the year under review, the Committee made recommendations on review of the performance management system recommending the adoption of the Balanced Score Card .It also met to review human resources practices and policies and instituted changes geared towards attracting, retaining and motivating competent staff necessary to compete in the increasingly competitive economic environment.

Meetings are held as and when there is business to transact and any member of the Committee or the Executive Director may request for a meeting at any time if they consider it necessary.

CHAIRMAN'S STATEMENT (CONTINUED)

- **Finance and Investments Committee**

This Committee currently has Four (4) members which includes the Executive Director. The objective of the Committee is to oversee Corporation's funds, formulate investment policies, strategies and assist the Board in matters pertaining to finance and investments and other functions as may be delegated by the Board. In addition to reviewing and recommending to the Board, for approval, financial and investment related matters, the committee reviews various investment options available and makes the necessary recommendations. It also exercises oversight on the implementation of the investment strategy.

Induction of Directors

On joining the Board, new Directors receive an induction presentation, which explains their responsibilities as a Director and provides an overview of the Corporation and its business. The induction Program is managed by the Chairman, the Executive Director and the Corporation Secretary.

The programme is aimed at imparting relevant organizational knowledge for an in-depth understanding of the Corporation and also provides awareness of relevant policies. Each Director receives an information pack which provides details of the disclosures and other relevant information to comply with applicable laws and regulations. The programme also includes briefing sessions with senior management from each of the main business units.

Evaluation of Board Performance

In order to ensure that the roles and responsibilities of the Board of Directors are effectively performed, every financial year the Board conduct a Board evaluation. The evaluation helps to consider whether those sitting on the board have the skills and expertise appropriate to the organisation.

The outcome of the evaluation is shared among the directors for continuous improvement.

Performance Review

At the beginning of every financial year the Board signs a performance contract with the parent ministry that has SMART targets to be fulfilled by the Corporation. The said targets are then cascaded to management of the corporation and thereafter to the employees. At the end of every financial year a formal performance evaluation of each employee is conducted by the respective line managers, and each manager thereafter evaluated by the Executive Director and the Board finally has its performance evaluated by the Performance Contracting Department. ICDC has a clear and elaborate reward and sanctions mechanism in place which is informed by the performance appraisal. As a State Corporation, ICDC is also appraised against other State Corporations and the results made public. This year, the Corporation was ranked 'Very Good' in its performance.

Future Outlook

To sustain the positive trend that has been set, ICDC intends to focus on raising funds for new investment opportunities. ICDC will also focus on growing new investment opportunities and non-core income. As a priority, the Corporation intends to complete the development of Kizingo and Nyali properties, and launch phase one of the Eldoret SME Industrial Park. To achieve this, ICDC will maintain and improve on employee engagement and productivity while maintaining effective and efficient business processes.

For ICDC to be relevant to its mandate, we look forward to aligning ourselves with the government strategy in order to open up the country industrially. We intend to engage more with the counties to ensure that our commitment of 'Creation of sustainable wealth' is devolved in all the counties.

CHAIRMAN'S STATEMENT (CONTINUED)

Acknowledgement

In closing, I wish to acknowledge the various key entities whose combined efforts have led to the Corporation's significant performance in the financial year.

I would like to recognise and commend the Management Team and staff for their invaluable dedication and hard work that has translated to the Corporation's great performance. Undeniably, it is proof of the Team's commitment to realising ICDC's vision of becoming Africa's world class Development Finance Institution.

I also sincerely applaud our esteemed customers, parent ministries - Ministry of Industrialisation and Enterprise Development and The National Treasury, investee companies and other stakeholders for their contribution and general assistance provided.

Finally I would like to express my sincere gratitude to my fellow board members for their continued support and dedication in service to the Corporation.

Martin K. Muragu (MBS)

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30 June 2014 which show the state of the Industrial and Commercial Development Corporation's affairs.

Principal activities

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

Results

	For year ended 30 June 2014 Kshs'000	2013 Kshs'000
Profit before taxation	602,394	479,194
Taxation	-	-
Profit for the year transferred to retained earnings	602,394	479,194

Dividends

The Directors do not recommend the payment of a dividend (2013: Nil).

Directors

The members of the Board of Directors who served during the year are shown on page 4 - 5.

Auditors

The Auditor General is responsible for the statutory audit of the Corporation in accordance with Section 14 and 39(i) of the Public Audit Act, 2003, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

PricewaterhouseCoopers was nominated by the Auditor General to carry out the audit of the Industrial and Commercial Development Corporation for the year ended 30 June 2014.

By Order of the Board

Grace M Magunga
Corporate Secretary
P. O Box 45519
00100 Nairobi

Date: 11 December, 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Industrial and Commercial Development Corporation Act and the Public Audit Act 2003, require the Directors to prepare financial statements in respect of the Corporation, which give a true and fair view of the state of affairs of the Corporation at the end of the financial year and the operating results for that year. The Directors are also required to ensure that the Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation. The Directors are also responsible for safeguarding the assets of the Corporation.

The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of its state of affairs of the Corporation at the end of the financial year ended 30 June 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Corporation ; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Corporation; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of its transactions during the financial year ended 30 June 2014, and of its financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of its financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Corporation's financial statements were approved by the Board on 11 December 2014 and signed on its behalf by:

Chairman

Director

REPUBLIC OF KENYA

Telephone: +254–20–3342330
Fax: +254–20–3311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke

NAIROBI HUB
P.O. Box 30084–00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON INDUSTRIAL AND COMMERCIAL DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of Industrial and Commercial Development Corporation set out on pages 18 to 62, which comprise the statement of financial position as at 30 June 2014, and the statement of profit and loss and other 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 have been audited on my behalf by PWC Kenya, auditors appointed under Section 39 of the Public Audit Act, 2003 and in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of Public Audit Act, 2013. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

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 the 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 Section13 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 of the Public Audit Act, 2003. 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 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 Corporation'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 option.

Basis for Qualified Opinion

Grants and Loans

i) As disclosed in Note 22, included in the financial statements are grants and loans from the Government of Kenya amounting to Kshs.886,182,000 (2003: Kshs.902,733,000). These relate to amounts or grants advanced to the Corporation most of which are more than 25 years old. There are no formal agreements to support these balances. In the circumstance, it has not been possible to verify the terms of the loans and grants or ascertain the accuracy and classification of the loans and grants balances.

ii) Over the years, the Corporation continues to charge a static finance cost of Kshs.8,448,000 for which no basis has been disclosed. In absence of any documentation and as previously reported, it has not been possible to ascertain the propriety and legality of the charge.

iii) As reported in the previous year, grants have similarly been disclosed under non-current liabilities contrary to International Accounting Standards (IAS) No. 20 – Accounting for Government grants and disclosure of Government assistance which requires that such grants be credited directly to reserves.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Corporation as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with

International Financial Reporting Standards and comply with the Industrial and Commercial Development Corporation Act, Cap 445 of the Laws of Kenya.

Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

5 February 2015

Statement of profit or loss and other comprehensive income

	Notes	Year ended 30 June 2014 Shs'000	2013 Shs'000
Revenues			
Operating income	5	773,685	638,256
Other income	6	261,804	198,378
Total revenues		1,035,489	836,634
Operating expenses			
Administration costs	7(a)	316,186	288,162
Depreciation of property and equipment	12	30,420	25,852
Amortisation of intangible assets	11	1,104	8,496
Provision for losses	19	76,937	26,482
Total operating expenses		424,647	348,992
Operating profit	8	610,842	487,642
Finance costs	9	(8,448)	(8,448)
Profit before taxation		602,394	479,194
Income tax expense	10	-	-
Profit after taxation		602,394	479,194
Other comprehensive income for the year			
Items that may be subsequently reclassified to profit or loss			
Reversal of fair value on disposed investments		2,105	-
Fair value gain in unquoted investments	15	713,649	2,484,594
Fair value gain in quoted investments	16	2,973,723	1,467,719
Total other comprehensive income		3,689,477	3,952,313
Total comprehensive income		4,291,871	4,431,507

The notes on pages 23 to 62 are an integral part of these financial statements

Statement of financial position

	Notes	At 30 June 2014 Shs'000	At 30 June 2013 Shs'000
Assets			
Property and equipment	12	1,096,571	1,112,846
Intangible assets	11	2,434	1,944
Investment property	13	925,500	563,140
Government securities (Held to maturity)	14	99,249	98,972
Quoted investments (Available for sale)	16	6,602,084	3,629,183
Unquoted investments ((Available for sale)	15	10,528,886	9,438,707
Loans	18	1,123,290	1,005,371
Related companies current account		352	10,239
Sundry debtors	17	259,361	381,096
Cash and cash equivalents	20	791,669	892,533
Total assets		**21,429,396**	**17,134,031**
Reserves			
Revaluation reserve	21	1,061,087	1,054,269
Fair value adjustment reserve	21	15,311,734	11,622,257
Retained earnings	21	3,947,925	3,345,531
Total reserves		20,320,746	16,022,057
Liabilities			
Grants and loans	22	886,182	902,733
Payables and accruals	24	97,468	84,241
Dividend payable	26	125,000	125,000
Total liabilities		**1,108,650**	**1,111,974**
Total reserves and liabilities		**21,429,396**	**17,134,031**

The notes on pages 23 to 62 are an integral part of these financial statements

The financial statements on pages 18 to 62 were approved for issue by the board of directors on

11 December 2014 and signed on its behalf by:

Chairman

Executive Director

Statement of changes in equity

	Revaluation reserve Shs'000	Fair value adjustment Shs'000	Retained earnings Shs'000	Total equity Shs'000
Year ended 30 June 2013				
At start of year				
- As previously reported	729,269	7,669,944	2,482,200	10,881,413
- Impact on restatement - 2011	-	-	352,454	352,454
- Impact on restatement - 2012	325,000	-	31,683	356,683
- **As restated**	**1,054,269**	**7,669,944**	**2,866,337**	**11,590,550**
Comprehensive income				
Profit for the year	-	-	479,194	479,194
Other comprehensive income:				
Fair value gain in unquoted investments	-	2,484,594	-	2,484,594
Fair value gain in quoted investments	-	1,467,719	-	1,467,719
Total other comprehensive income	-	3,952,313	-	3,952,313
Total comprehensive income	-	3,952,313	479,194	4,431,507
At end of year	**1,054,269**	**11,622,257**	**3,345,531**	**16,022,057**

The notes on pages 23 to 62 are an integral part of these financial statements

The restatement in the 2013 financial statements related to reclassification of land and buildings previously classified as prepaid operating leases and property and equipment to investment property and the consequent adjustment to restate them to their fair values.

Statement of changes in equity (continued)

	Revaluation reserve Shs'000	Fair value adjustment Shs'000	Retained earnings Shs'000	Total equity Shs'000
Year ended 30 June 2014				
At start of year	1,054,269	11,622,257	3,345,531	16,022,057
Revaluation surplus on property and equipment	6,818	-	-	6,818
Comprehensive income				
Profit for the year	-	-	602,394	602,394
Other comprehensive income:				
Reserves released on disposal of investments	-	2,105	-	2,105
Fair value gain in unquoted investments	-	713,649	-	713,649
Fair value gain in quoted investments	-	2,973,723	-	2,973,723
Total other comprehensive income	-	3,689,477	-	3,689,477
Total comprehensive income	6,818	3,689,477	602,394	4,298,689
At end of year	**1,061,087**	**15,311,734**	**3,947,925**	**20,320,746**

The notes on pages 23 to 62 are an integral part of these financial statements

Statement of cash flows

	Notes	Year ended 30 June 2014 Shs'000	2013 Shs'000
Cash flows from activities			
Net cash generated from operations	27(a)	508,222	620,975
Cash flows from investing activities:			
Development of investment property	13	(146,370)	(18,975)
Proceeds from disposal of unquoted investments		-	6,437
Purchase of property and equipment	12	(7,327)	(9,961)
Purchase of intangible assets	11	(1,594)	(392)
Purchase of unquoted investments	15	(430,000)	(282,325)
Proceeds on disposal of quoted investments		1,205	-
Net cash used in investment activities		(584,086)	(305,216)
Cash flows from financing activities			
Loan repayment (principal and interest) – Government of Kenya and KFW of Germany	22	(25,000)	(20,000)
Net cash used in financing activities		(25,000)	(20,000)
Net (decrease) / increase in cash and cash equivalents		(100,864)	295,759
Movement in cash and cash equivalents			
At start of year	20	892,533	596,774
(Decrease) / increase		(100,864)	295,759
At end of year	20	791,669	892,533

The notes on pages 23 to 62 are an integral part of these financial statements

Notes

1. **Summary of significant accounting policies**

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

a. **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 and equipment, marketable securities and financial instruments at fair value and impaired assets at their estimated recoverable amounts. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies.

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

(i) Functional and presentation currency

Items included in the financial statements of the Corporation are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Kenyan Shillings (Shs), which is the Corporation's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in other comprehensive income and cumulated in 'available-for-sale financial assets reserve'.

Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations adopted by the Company

The following standards have been adopted by the Company for the first time for the financial year beginning on or after 1 July 2013 and have a material impact on the Company:

1. Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures (continued)

(a) New standards, amendments and interpretations adopted by the Company(continued)

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Company financial statements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Company has applied the amendment and there has been no significant impact on the Company financial statements as a result.

(b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is yet to assess IFRS 9's full impact. IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

1. Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures(continued)

b) New standards, amendments and interpretations not yet adopted (continued)

IFRS 14, 'Regulatory deferral accounts' permits first–time adopters to continue to recognise amounts related to rate regulation inaccordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entitiesthat already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. IFRS 14 is effective for annual periods beginning on or after 1 January 2016.

IFRS 15, 'Revenue from Contracts with Customers establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 is effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Company is not currently subjected to significant levies so the impact on the Company is not material. Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Company.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

b. Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Corporation 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 Corporation's activities net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Corporation's activities as described below.

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.

Dividend income is recognised in the income statement in the year in which the right to receive the payment is established.

Notes (continued)

1 Summary of significant accounting policies (continued)

b. Revenue recognition (continued)

Rental income is recognised in the income statement as it accrues using the effective lease agreements.

Other income is recognised as it accrues.

c. Consolidation

The Corporation has more than 50% shareholding in some of its investee companies. However, consolidated financial statements of the Corporation and its subsidiaries are not prepared as the Corporation does not have power, directly or indirectly, to govern the financial and operating activities of these entities so as to obtain benefits from the activities. Control over these entities lies with the Government of Kenya through the National Treasury.

d. Investment property

Investment property is shown at fair value, based on annual valuations by internal professional valuers. Increases in the carrying amount arising on revaluation of investment property are dealt with in profit or loss.

e. Property and equipment

All categories of property, motor vehicles and equipment are initially recorded at cost. Property and equipment are subsequently shown at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Valuations are performed by internal independent qualified valuers every three years for land and buildings and five years for other assets.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income. Decreases that offset previous increases of the same asset are charged against the revaluation surplus; all other decreases are charged to profit or loss.

Depreciation is calculated on the straight line basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life as follows:

The annual rates in use are:	
Motor vehicle and motor cycles	20%
Furniture, fittings and office equipment	10%
Computers	33.3%

Leasehold land and buildings are amortised and depreciated respectively over the remaining period of the lease term.

Gains and losses on disposal of property, motor vehicles and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

The assets residual values and useful lives are reviewed and adjusted as appropriate at each balance sheet date.

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

Notes (continued)

1 Summary of significant accounting policies (continued)

f. Computer software development costs

Costs incurred on computer software are initially accounted for at cost as intangible assets and subsequently at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is calculated on the straight line basis over the estimated useful lives not exceeding a period of 3 years.

g. Financial assets

The Corporation classifies its financial assets into the following categories: loans and receivables and available-for-sale assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its investments at initial recognition.

Classification

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Corporation provides money, goods or services directly to a debtor with no intention of trading the receivable.

ii. Held- to- maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale of other than an insignificant amount of held-to-maturity assets occurs, the entire category is classified as available-for-sale.

iii. Available – for – sale financial assets

Available-for-sale assets are financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans and receivables.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously accumulated in the investment revaluation reserve is recognised in profit or loss.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously accumulated in the investment revaluation reserve is recognised in profit or loss.

Notes (continued)

1 Summary of significant accounting policies (continued)

g. Financial assets (continued)

Quoted investments are those that relate to companies listed on the stock exchange. They are classified as available-for- sale and are stated at the middle market value as at the end of each reporting period.

Unquoted investments are the unlisted companies in which the Corporation has invested. They are classified as available-for-sale. Where a significant amount of new investment into a Company has been made within the financial year, the price at which the investment was made is considered the fair value unless the conditions have changed since the Corporation made the investment. For all other investments, a weighted average of the earnings multiple method and net asset valuation is employed.

This method, which draws on market based measures of risk and return, involves the application of an earnings multiple to the earnings of the business being valued in order to derive a value for the business.

The earnings multiple that is applied is derived from comparable companies or transactions with similar prospects from a return and growth perspective. Where fair value cannot be reliably measured, the unquoted investment is carried at cost.

The difference between valuation and cost is recognised in other comprehensive income and accumulated in the investment fair value reserve. Where valuation is below cost, the difference between valuation and cost is charged to profit or loss if, in the opinion of the directors, the reduction in value is not considered temporary. On the disposal of an investment, the difference between the net disposal proceeds and the cost is charged or credited to profit or loss.

Impairment and uncollectability of financial assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised in profit or loss whenever the carrying amount of the asset exceeds its recoverable amount.

If it is probable that the Corporation will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans or receivables impairment or bad debt loss has occurred. The carrying amount of the asset is reduced to its estimated recoverable amount through use of an allowance account. The amount of the loss incurred is dealt with in profit or loss for the year. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows.
For listed and unlisted shares classified as available- for- sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Other factors considered by the Corporation in determining impairment for other financial assets include:

- Significant financial difficulty of the issuer or counter party
- Default or delinquency in interest or principal repayments
- It becomes probable that the borrower will enter bankruptcy or financial re – organisation

Derecognition of financial assets

The Corporation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

Notes (continued)

1 Summary of significant accounting policies (continued)

Derecognition of financial assets (continued)

If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

h. Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Corporation derecognises financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire.

i. Receivables

Receivables are amounts due from investments in the ordinary course of business. Receivables are recognised initially at fair value and subsequently recognised at amortised cost, less any provision for impairment.

j. Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

k. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts.

l. Provisions

Provisions are recognised when: the Corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

m. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Notes (continued)

1 Summary of significant accounting policies (continued)

m. Impairment of non-financial assets (continued)

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

n. Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements.

However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Corporation and it is probable that the temporary difference will not reverse in the foreseeable future.
Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

o. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

p. Employee benefits

i. Retirement benefit obligations

The Corporation operates a defined contribution pension scheme. The assets of the scheme are held in a separate trustee administered fund. The scheme is administered by independent fund managers and is funded by contributions from both the employer and the employees.

Notes (continued)

1 Summary of significant accounting policies (continued)

p. Employee benefits (continued)

i. Retirement benefit obligations (continued)

The Corporation also contributes to the statutory National Social Security Fund. This is a defined contribution pension scheme registered under the National Social Security Act. The Corporation's obligations under the scheme are limited to specific obligations legislated from time to time.
The Corporation contributions in respect of retirement benefit schemes are charged to profit or loss in the year to which they relate.

ii. Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

q. Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in the presentation in the current year's financial statements.

2. Critical accounting estimates and judgments

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 areas of judgement in applying the entities accounting policies are dealt with below:

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.

Valuation of unquoted investments

For equity instruments for which no active market exists, the Corporation uses the price of a recent investment or the earnings multiple to estimate the fair value of these investments. Management uses estimates based historical data relating to earnings of the investee Corporation and other market based multiples in arriving at the fair value. The primary assumption in employing the earnings multiple method is that the market has assigned an appropriate value to the benchmark Corporation. The methodology and assumptions used for arriving at the market based multiples are reviewed and compared with other methodologies to ensure there are no material variances.

Notes (continued)

2. Critical accounting estimates and judgments (continued)

Income taxes

Significant judgement is required in determining the Corporation's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Corporation recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. Financial risk management

The Corporation's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Corporation's business, and the operational risks are an inevitable consequence of being in business. The Corporation's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance. The key types of risk include:

- Market risk - includes interest rate and other price risk
- Credit risk
- Liquidity risk

The Corporation'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.

Risk management framework

The Corporation recognises that in order to pursue its objectives and take advantage of opportunities, it cannot avoid taking risks, and that no risk management programme can aim to eliminate risk fully.

The Corporation's general risk management approach is to increase the likelihood of success in its strategic activities, that is, to raise the potential reward of its activities relative to the risks undertaken. Accordingly, the Corporation's approach to risk management is intended to increase risk awareness and understanding, and thus support taking risks where appropriate, in a structured and controlled manner. The Corporation however recognises that in pursuit of its mission and investment objectives it may choose to accept a lower level of reward in order to mitigate the potential hazard of the risks involved.

To assist in implementing its risk management policy, the Corporation has:

- Identified, analysed and produced a risk management strategy for those risks which might inhibit it from achieving its strategic objectives and which would threaten its ongoing survival as a leading investment Corporation;
- Raised awareness of and integrated risk management into its management policies.
- Promoted an understanding of the importance and value of risk management, particularly associated with investment opportunities;

Established risk management roles and responsibilities for its board of directors, audit and risk committee and the risk department.

Notes (continued)

3. Financial risk management (continued)

Risk management framework (continued)

The risk management function is supervised by the Audit and Risk Committee. Management identifies, evaluates and hedges financial risks under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas such as price risk, foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

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

a. Market risks

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices, and foreign exchange rates which will affect the Corporation'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 optimising the return.

(i) Interest rate risk

The Corporation is exposed to interest rate risk as it borrows funds at floating interest rates in the form of short term loans (overdrafts) and also holds cash deposits with financial institutions. The interest rates on the cash deposits are fixed and agreed upon in advance while interest rates on overdrafts are pegged to the bank's base lending rate or prevailing Treasury Bills rates.

Management closely monitors the interest rate trends to minimise the potential adverse impact of interest rate changes. Deposits are placed at fixed interest rates and management is therefore able to plan for the resulting income.

Interest rate risk analysis

The table in the next page shows the extent to which the Corporation's interest rate exposures on assets and liabilities are matched. Items are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing date and maturity date.

Notes (continued)

3. Financial risk management (continued)

Risk management framework (continued)

a. Market risks (continued)

(i) Interest rate risk (continued)

Interest rate risk analysis (continued)

	Effective interest rate %	Due between 0 and 12 months KShs'000	Due between 1 and 5 years KShs'000	Due after 5 years KShs'000	Total KShs'000
2014:					
Assets					
Financial assets					
Short term deposits	11.51	703,412	-	-	703,412
Investment in Government securities	11.87	-	-	99,249	99,249
Loans	14.54	-	754,330	-	754,330
Loans - current portion	14.54	368,960	-	-	368,960
Total financial assets		1,072,372	754,330	99,249	1,925,951
Grants and loans					
Grants and Government of Kenya loans	5.70	-	-	(886,182)	(886,182)
Total grant and loans		-	-	(886,182)	(886,182)
Interest sensitivity gap		1,072,372	754,330	(786,933)	1,039,769
2013:					
Financial assets					
Short term deposits	11.13	844,305			844,305
Investment in Government securities	11.87	-	-	98,973	98,973
Loans	13.24	-	692,737	-	692,737
Loans –current portion	13.24	312,634	-	-	312,634
Total financial assets		1,156,939	692,737	98,973	1,948,649
Grants and Loans					
Grants and Government of Kenya loans	5.70	-	-	(902,733)	(902,733)
Total grant and loans		-	-	(902,733)	(902,733)
Interest sensitivity gap		1,156,939	692,737	(803,760)	1,045,916

Notes (continued)

3. Financial risk management (continued)

Risk management framework (continued)

a) Market risks (continued)

(i) Interest rate risk (continued)

Interest rate risk analysis – continued

An increase or decrease of 100 basis point in interest rates at the reporting date would have increased/ (decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. This analysis is performed on the same basis for 2013:

	Statement of comprehensive income	
	2014 KShs'000	**2013 KShs'000**
Loans and advances	1,740	2,016

A decrease of 1 percentage point in interest rates at the reporting date would have had an equal but opposite effect on the income statement, on the basis that all other variables remain constant.

(ii) Price risk

The Corporation's private equity holdings are valued according to the Private Equity and Venture Capital guidelines, which set out the valuation methodology for fair valuation. Valuation is relatively subjective and may change from time to time. In addition the valuation is also affected by the volatility of the stock prices since the Corporation uses the earnings multiple method which entails the use of the share prices of similar/comparable quoted companies among other components.

Valuation risks are mitigated by comprehensive quarterly reviews of the underlying investments by management every quarter. The appropriateness of the investment valuations are then considered by the Audit and Risk committee.

Quoted equity is valued at their market prices. These values are subject to frequent variations and adverse market movements. This risk is mitigated by choice of defensive stocks with low price volatility, and weekly monitoring of the value changes.

Notes (continued)

3. Financial risk management (continued)

Risk management framework (continued)

(ii) Price risk (continued)

Company security	No. of shares	Market price 2014 KShs	30 June 2014 Market value 2014 KShs'000	No. of shares	Market Price 2013 KShs	30 June 2013 Market value 2013 KShs'000
Main Investment Market Segment						
Banking						
Barclays Bank of Kenya Limited	156,800	16.70	2,619	156,800	15.70	2,462
Standard Chartered Bank Limited	14,700	309.00	4,542	14,700	287.00	4,219
Commercial & Services						
Nation Media Group	19,272	310.00	5,974	19,272	301.00	5,801
Uchumi Supermarkets Limited	7,288,472	12.30	89,648	7,288,472	19.90	145,041
Kenya Airways Limited	53,500	10.35	554	53,500	9.95	532
Energy & Petroleum						
Total Kenya Limited	93,600	25.00	2,340	93,600	16.40	1,535
Kenya Power & Lighting Company Limited	109,800	13.30	1,460	109,800	14.50	1,592

Notes (continued)

3. Financial risk management (continued)

Risk management framework (continued)

a) Market risks (continued)

(ii) Price risk (continued)

Company security	No. of shares	Market price 2014 KShs	30 June 2014 Market value 2014 KShs'000	No. of shares	Market Price 2013 KShs	30 June 2013 Market value 2013 KShs'000
Main Investment Market Segment						
Insurance						
Jubilee Holdings Limited	19,965	392.00	7,826	19,965	225.00	4,492
Investment						
Centum Investments Limited	152,847,897	41.25	6,304,975	152,847,897	21.75	3,324,442
Manufacturing & Allied						
British American Tobacco Limited	17,000	649.00	11,033	17,000	543.00	9,231
Eveready Batteries Kenya Limited	36,583,575	3.50	128,043	36,583,575	2.80	102,434
East African Breweries Limited	21,300	283.05	6,029	21,300	333.00	7,093
Telecommunication & Technology						
Access Kenya Limited				82,000	10.01	821
Safaricom Limited	2,975,200	12.45	37,041	2,975,200	6.55	19,488
Total			6,602,084			3,629,183

Notes (continued)

3. Financial risk management (continued)

Risk management framework (continued)

a) Market risks (continued)

(ii) Price risk (continued)

At 30 June 2014, if the prices of all quoted equity investments had increased/decreased by 5% with all other variables held constant, the total comprehensive income for the year would have been Kshs. 330,104,200 (2013: Kshs 181,459,150) higher/lower.

At 30 June 2014, if the prices earnings for unquoted investments had increased/decreased by 5% with all other variables held constant, the total comprehensive income for the year would have been Kshs. 526,444,295 (2013: Kshs 235,967,675) higher/lower.

b) Currency risk

The Corporation operates wholly within Kenya and its assets and liabilities are carried in the local currency. The Corporation is not exposed to foreign currency risk.

c) Liquidity risk

This is the risk that the Corporation will encounter difficulties in meeting its financial commitments from its financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash to meet its obligations. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Corporation's short, medium and long term funding and liquidity management requirements. The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk also relates to the risk that the Corporation would miss out attractive investment opportunities due to lack of funding. This risk is mitigated by the fact that the available for sale quoted investments can be converted to cash when funds are required.

The responsibility for managing daily liquidity assessment resides with the Financial Manager. However, the statement of financial position liquidity management resides with the Corporation's Finance and Investment Committee.

The table in the next page analyses financial liabilities into relevant maturity based on the remaining period at 30 June 2014 to the contractual maturity date.

Notes (continued)

3. Financial risk management (continued)

Risk management framework (continued)

c) Liquidity risk (continued)

30 June 2014: (Shs' 000)	**0 – 12 months**	**1 – 5 years**	**Over 5 years**	**Total**
Liabilities				
Grants and loans	-	-	886,182	886,182
Creditors	97,468	-	-	97,468
Dividends payable	-	-	125,000	125,000
Total liabilities	97,468	-	1,011,182	1,108,650
30 June 2013: (Shs' 000)				
Liabilities				
Grant and loans	-	-	902,733	902,733
Creditors	84,241	-	-	84,241
Dividends payable	-	-	125,000	125,000
Total liabilities	84,241	-	1,027,733	1,111,974

d) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation. The Corporation has adopted a policy of only dealing with credit worthy counterparties.

The credit risk exposures are classified in three categories:

- Neither past due nor impaired
- Past due
- Impaired

Credit risk arises from cash and cash equivalents, deposits with banks, corporate bonds, loans advanced as well as trade and other receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by the banking regulatory authority. The Corporation has adopted a policy of only dealing with creditworthy counterparties and only investing in reputable corporates.

Notes (continued)

3. Financial risk management (continued)

Risk management framework (continued)

d) Credit risk (continued)

The amount that best represents the Corporations' maximum exposure to credit risk at 30 June 2014 is made up as follows:

	2014 Shs'000	2013 Shs'000
Cash and cash equivalents	791,669	892,533
Sundry debtors	259,361	381,096
Related companies current account	352	10,238
Loans	1,123,290	1,005,371
Investment in Government securities	99,249	98,973
	2,273,921	2,388,211

Credit terms are agreed with each client and are monitored on an on-going basis by the Corporation.

None of the above assets are either past due or impaired except for the following amounts in sundry debtors and loans:

	2014 Shs'000	2013 Shs'000
Sundry debtors individually determined to be impaired:		
Carrying amount before provision for impairment loss	75,562	58,517
Provision for impairment loss	(75,562)	(58,517)
Net carrying amount	-	-
Loans individually determined to be impaired:		
Carrying amount before provision for impairment loss	13,862,297	14,549,545
Provision for impairment loss	(13,849,429)	(14,542,303)
Net carrying amount	12,878	7,242

Notes (continued)

3. Financial risk management (continued)

Risk managemènt framework (continued)

e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Corporation's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Corporation's operations.

The Corporation's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Corporation's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The ultimate accountability for operational risk management within the Corporation rests with the Board of Directors, Consequently, the level of risk that the Corporation accepts, together with the basis for managing those risks is assigned to senior management. This responsibility is supported by the development of overall standards for the management of operational risk.

f) Capital management

The Corporation is governed by the Industrial and Commercial Development Corporation Act Cap 445, Laws of Kenya, which does not provide for a specific capital structure.

Notes (continued)

4. Financial assets and liabilities and other fair values

The table below sets out the Corporation's classification of each class of financial assets and liabilities, and their fair values:

As at 30 June 2014	Held to maturity KShs'000	Loans and receivables KShs'000	Available-for-sale KShs'000	Other amortised cost KShs'000	Total carrying amount KShs'000	Fair values KShs'000
Assets						
Investments in quoted companies	-	-	6,602,084	-	6,602,084	6,602,084
Unquoted investments	-	-	10,528,886	-	10,528,886	10,528,886
Investments in Government securities	99,249	-	-	-	99,249	99,249
Loans	-	1,123,290	-	-	1,123,290	1,123,290
Other Companies Current accounts	-	-	-	352	352	352
Sundry debtors	-	-	-	259,361	259,361	259,361
Short term deposits	-	-	-	703,412	703,412	703,412
Cash and cash equivalents	-	-	-	88,257	88,257	88,257
Total assets	99,249	1,123,290	17,130,970	1,051,382	19,404,891	19,404,891
Liabilities and shareholders' funds						
Government loans and grants	-	-	-	886,182	886,182	886,182
As at 30 June 2013						
Assets						
Investments in quoted companies	-	-	3,629,183	-	3,629,183	3,629,183
Investments in other companies	-	-	9,438,707	-	9,438,707	9,438,707
Investments in Government securities	98,973	-	-	-	98,973	98,973
Loans	-	1,005,371	-	-	1,005,371	1,005,371
Other Companies Current accounts	-	-	-	10,238	10,238	10,238
Sundry debtors	-	-	-	381,096	381,096	381,096
Short term deposits	-	-	-	844,305	844,305	844,305
Cash and cash equivalents	-	-	-	48,228	48,228	48,228
Total assets	98,973	1,005,371	13,067,890	1,283,867	15,456,101	15,456,101
Liabilities and shareholders' funds						
Government loans and grants	-	-	-	902,733	902,733	902,733

Notes (continued)

7. (b) Staff costs

	2014 Shs'000	2013 Shs'000
Salaries and allowances of permanent employees	134,687	135,214
Wages of temporary employees	2,495	1,118
Compulsory National Health Insurance schemes	253	249
Compulsory National Social Security schemes	216	193
Other pension contributions	7,303	6,367
Leave pay and gratuity provisions	5,782	4,699
Staff welfare	30,210	20,578
	180,946	168,418

The average number of employees at the end of the year was:

	2014	2013
Permanent employees – Management	59	52
Temporary and contract employees	9	8
	68	60

8. Operating profit

The operating profit is arrived at after charging / (crediting):

	2014	2013
Staff costs (Note 7 (b))	180,946	168,418
Depreciation of property and equipment (Note 12)	30,420	25,852
Amortisation of intangible assets (Note 11)	1,104	8,496
Provision for bad and doubtful debts (managed funds)	53,470	-
Provision on bad and doubtful debts (loans and advances)	14,130	14,559
Directors' emoluments – fees and allowances	8,532	19,137
Auditors' remuneration - current year fees	3,808	3,528
Interest income	(198,134)	(166,171)
Rent income	(110,880)	(113,467)

9. Finance costs

	2014	2013
Interest expense on loans	8,448	8,448

Notes (continued)

10. Income tax expense

(a) Current taxation

	2014 Shs'000	2013 Shs'000
Current income tax	-	-
Deferred income tax charge	-	-
	-	-

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

The tax on the Corporation's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2014 Shs'000	2013 Shs'000
Profit before income tax	602,394	479,194
Computed tax using the applicable tax rate at 30%	180,718	143,758
Non - deductible costs and non - taxable income	124,595	104,117
Movement in deferred income tax not recognised	(305,313)	(247,875)
Income tax expense	-	-

11. Intangible assets

	2014	2013
Cost		
At start of year	35,080	34,688
Additions	1,594	392
At end of year	36,674	35,080
Amortisation		
At start of year	33,136	24,640
Charge for the year	1,104	8,496
At end of year	34,240	33,136
Net book value	2,434	1,944

Notes (continued)

12. Property and equipment

	Land and buildings Shs'000	Motor Vehicles Shs'000	Furniture & equipment Shs'000	Total Shs'000
Year ended 30 June 2014				
Cost / valuation				
At start of year	1,138,060	19,802	71,352	1,229,214
Additions	1,883	-	5,444	7,327
Revaluation	-	-	(33,555)	(33,555)
At year end	1,139,943	19,802	43,241	1,202,986
Depreciation				
At start of year	69,066	16,730	30,572	116,368
Charge for the year	19,089	1,530	9,801	30,420
Revaluation	-	-	(40,373)	(40,373)
At year end	88,155	18,260	-	106,415
Net book value at year end	1,051,788	1,542	43,241	1,096,571
Year ended 30 June 2013				
Cost / valuation				
At start of year	1,129,779	19,802	69,672	1,219,253
Additions	8,281	-	1,680	9,961
At year end	1,138,060	19,802	71,352	1,229,214
Depreciation				
At start of year	54,779	15,200	20,537	90,516
Charge for the year	14,287	1,530	10,035	25,852
At year end	69,066	16,730	30,572	116,368
Net book value at year end	1,068,994	3,072	40,780	1,112,846

The Corporation's internal qualified valuer carried out a valuation of furniture, fittings and equipment as at 30 June 2014 based on open market values. The resulting surplus of KShs 6,817,798 was credited to the revaluation reserve.

Notes (continued)

12 Property and equipment (continued)

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

	Cost / Valuation Shs'000	Normal annual depreciation charge Shs'000
Motor vehicles	12,151	2,430

13. Investment property

	2014 Shs'000	2013 Shs'000
Opening valuation	563,140	429,000
Movements during the year		
Additions	146,370	18,975
Fair value gain	215,990	115,165
Closing valuation	925,500	563,140

The fair value model has been applied for the investment property. The Corporation commissioned an internal professional valuer to determine the fair value of the investment property as at 30 June 2014. The fair value was supported by market evidence.

14. Government securities

	2014 Shs'000	2013 Shs'000
At start of year	98,972	98,730
Amortisation during the year	277	242
At end of year	99,249	98,972

The treasury bonds will mature on 14 March 2016. The effective interest rate on treasury bonds at 30 June 2014 was 11.87% (2013: 11.87%).

Notes (continued)

15. Unquoted investments

Valuation	2014 Shs'000	2013 Shs'000
At start of the year	9,575,401	6,808,482
Additions	430,000	282,325
Fair value gain	713,649	2,484,594
At end of the year	10,719,050	9,575,401

Impairment

	2014 Shs'000	2013 Shs'000
At start of the year	136,694	136,694
Impairment loss in the year	53,470	-
At end of the year	190,164	136,694
Net book value	10,528,886	9,438,707

Managed funds

Grants and loans include funds disbursed to the following companies being managed funds administered on behalf of the Government of Kenya.

	2014 Shs' 000	2013 Shs' 000
Kenatco Transport Limited (in receivership) - Equity	6,900	6,900
Kisumu Cotton Mills(1983) Limited (in liquidation) - Equity	19,500	19,500
Pan African Vegetable Products Limited (in liquidation) - Equity	1,265	1,265
Pan Vegetable Processors Limited - Equity	15,805	15,805
South Nyanza Sugar Limited - Equity	10,000	10,000
Gross amount	53,470	53,470
Less: Provision for impairment	(53,470)	-
Net amount	-	53,470

Notes (continued)

16. Quoted investments

	2014 Shs' 000	2013 Shs' 000
Opening valuation	3,629,183	2,161,464
Disposals	(822)	-
Fair value gain	2,973,723	1,467,719
Closing valuation	6,602,084	3,629,183

17. (a) Trade and other receivables

	2014	2013
Prepayment of staff loans	46,101	46,520
Recoverable expenses from associate companies	16,140	19,290
Dividends receivable	125,658	233,400
Receivable from Uchumi House tenants	96,342	95,203
Other debtors	38,012	40,239
Restricted funds	12,670	12,670
Gross trade and other receivables	334,923	447,322
Less: Impairment losses	(75,562)	(66,226)
Net trade and other receivables	259,361	381,096

Restricted funds relate to funds deposited in an escrow account in relation to a suit against the Corporation. The average effective interest rate on the short term deposits as at June 30, 2014 was 11.51% (2013: 11.13%).

The movement in the provision for impairment of sundry debtors is as follows:

	2014 Shs'000	2013 Shs'000
At start of year	(66,226)	(54,637)
Movement during the year	(9,336)	(11,589)
At end of the year	(75,562)	(66,226)

Notes (continued)

18. Loans

(a) Outstanding loans

(i) Large and medium loans	2014 Shs'000	2013 Shs'000
Loans to significant companies	55,393	206,518
Less: Impairment losses	(5,400)	(5,400)
Net large and medium loans	49,993	201,118

(ii) Small loans As at 30 June 2014	Performing loans	Non-performing loans	Total
	Shs '000	Shs '000	Shs '000
Commercial	775,272	2,451,230	3,226,502
Property	255,985	828,164	1,084,149
Industrial	-	2,597,312	2,597,312
Machinery	-	307,232	307,232
ICDC/General Motors Kenya Limited / ICDC/Kenya Breweries Limited	-	20,678	20,678
Personal loans	43,302	135,608	178,910
ICDC – Kenya Bus Services Limited	-	34,564	34,564
Hire purchase	-	138,768	138,768
Corporate	-	7,349,324	7,349,324
Unclassified loans	-	(583)	(583)
Total small loans	1,074,559	13,862,297	14,936,856
Less: Impairment losses	(14,130)	(13,849,429)	(13,863,559)
Net small loans	1,060,429	12,868	1,073,297
Net large and medium loans	49,993	-	49,993
Total net loans	1,110,422	12,868	1,123,290

Notes (continued)

18. Loans (continued)

As at 30 June 2013 **(ii) Small loans (continued)**	**Performing loans** **Shs '000**	**Non-performing loans** **Shs '000**	**Total** **Shs '000**
Commercial	515,470	3,244,892	3,760,362
Property	257,668	729,214	986,882
Industrial	-	2,942,340	2,942,340
Machinery	-	897,530	897,530
ICDC/General Motors Kenya Limited / ICDC/Kenya Breweries Limited	-	34,531	34,531
Personal loans	38,432	171,833	210,265
ICDC – Kenya Bus Services Limited	-	30,489	30,489
Hire purchase	-	134,409	134,409
Corporate	-	6,364,890	6,364,890
Unclassified loans	-	(583)	(583)
Total small loans	811,570	14,549,545	15,361,115
Less: Impairment losses	(14,559)	(14,542,303)	(14,556,862)
Net small loans	797,011	7,242	804,253
Net large and medium loans	201,118	-	201,118
Total net loans	998,129	7,242	1,005,371

(b) Impairment losses on loans

	2014 **Shs'000**	**2013** **Shs'000**
At start of the year	14,562,262	15,276,287
Increase in impairment	14,130	14,559
Impairment losses no longer required	(45,470)	(67,584)
Loans written off	(661,963)	(661,000)
Net large and medium loans	13,868,959	14,562,262
Comprising of:		
Large and medium loans	5,400	5,400
Small loans	13,863,559	14,556,862
Total loans impairment	13,868,959	14,562,262

Notes (continued)

19. Provisions

The Corporation periodically analyses the recoverability of its debtors and makes provisions for each specific case and with respect to loans and advances, a further general provision based on the loan default history. During the year, the following amounts were charged to profit or loss.

	2014 Shs' 000	2013 Shs' 000
Provision for managed funds (Note 15)	53,470	-
Provision for Uchumi House tenants	9,336	4,214
General provisions in loans and advances	14,131	14,559
Others	-	7,709
Total provisions	76,937	26,482

20. Cash and cash equivalents

Short term deposits	703,412	844,305
Cash in bank	88,257	48,228
Cash and cash equivalents	791,669	892,533

The average effective interest rate on the short term deposits as at June 30, 2014 was 11.51% (2013: 11.13%).

21. Reserves

Revaluation reserve

The revaluation reserve relates to the revaluation of certain items of property and equipment. Revaluation surpluses are not distributable.

Fair value adjustment reserve

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

Retained earnings

The retained earnings represent amounts available to the shareholders of the Corporation. Retained earnings are utilised to finance business activity.

Notes (continued)

22. Loans and grants

	2014 Shs'000	2013 Shs'000
Grants:		
From the Government of Kenya	529,971	529,971
Loans from Government of Kenya:		
Balance at beginning of the year	345,181	357,254
Accrued additional interest	7,927	7,927
Principal repaid during the year	(11,552)	(11,552)
Interest repaid during the year	(8,448)	(8,448)
Balance at end of the year	333,108	345,181
Loans from KFW of West Germany		
Balance at beginning of the year	27,581	27,060
Accrued additional interest	522	521
Repayment during the year	(5,000)	-
Balance at end of the year	23,103	27,581
Total loans and grants	**886,182**	**902,733**

Included in loans from the Government of Kenya is an amount of KShs 82,665,620 which relates to a bilateral grant given to the Government of Kenya in 1994 by the Government of Belgium in respect of Soya Oil & Food Industries. There is a proposal to the Government of Kenya to restructure the Corporation's balance sheet. This will include conversion of some of the above loans and grants into equity and the balance into term loans at agreed interest rates. The directors are of the opinion that the restructuring proposal will be implemented in the near future.

23. Deferred tax asset

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

	2014 Shs'000	2013 Shs'000
Property and equipment	(530)	21,004
Provisions	(1,216,730)	(1,428,919)
Tax losses carried forward	(39,591)	(154,249)
Balance at end of the year	(1,256,851)	(1,562,164)

The deferred tax asset has not been recognised in the financial statements for the current and prior years as the directors are of the opinion that the benefit will not crystallize in the foreseeable future.

Notes (continued)

24. Trade and other payables

	2014 Shs'000	2013 Shs'000
General creditors	73,682	62,797
Rent deposit	23,786	21,444
Total	97,468	84,241

25. Retirement benefit obligations

The Corporation operates a defined contribution pension scheme. The assets of the scheme are held in a separate fund administered by independent fund managers and is funded by contributions from both the employer and the employees. The schemes financial year ends on 31 December and the balance are as analysed below:

	2014 Shs'000	2013 Shs'000
Balance at beginning of the year	192,279	181,990
Company contributions during the year	6,562	6,255
Employee's contributions during the year	3,281	3,128
Interest earned on investment of contributions	21,917	19,826
Paid out during the year	(6,261)	(18,920)
Balance at end of the year	217,778	192,279

The Corporation also contributes to the statutory National Social Security Fund. This is a defined contribution pension scheme registered under the National Social Security Act. The Corporation's obligations under the scheme are limited to specific obligations legislated from time to time.

26. Dividend payable to the Government of Kenya

The amount relates to dividends declared out of profits of past years up to June 1999. Since that time, the Corporation has been actively pursuing the issue of restructuring of its statement of financial position by Government and one of the proposals is to write back this amount to reserves.

The Board has also observed that the Corporation has no share capital and therefore the issue of declaring a dividend by the Corporation is contentious. The Corporation is of the view that the Government will in the near future finalise the restructuring of the statement of financial position and thereby conclusively address the issue of dividends due to the Government.

	2014 Shs'000	2013 Shs'000
Year 2014	-	-
Prior years	125,000	125,000

Notes (continued)

27. Notes to the statement of cash flows

a) Reconciliation of operating profit to cash generated from operations:

	2014 Shs'000	2013 Shs'000
Profit before income tax	602,394	479,194
Adjustments for:		
Depreciation of property and equipment (Note 12)	30,420	25,852
Amortisation of intangible assets (Note 11)	1,104	8,496
Provision for managed funds (Note 15)	53,470	-
Gain on disposal of unquoted investments	-	(6,436)
Loss on disposal of quoted Investments	1,723	-
Interest on Government of Kenya loans (Note 9)	8,448	8,448
Change in investment in treasury bonds (Note 14)	(277)	(242)
Gain on revaluation of investment property (Note 13)	(215,990)	(115,165)
Operating profit before changes in working capital	481,292	400,147
Loans and advances	(117,919)	315,126
Trade and other debtors	121,735	(115,583)
Payables and accrued expenses	13,227	13,240
Subsidiary companies current accounts	9,887	8,045
Cash generated from operations	508,222	620,975

b) Analysis of changes in loans

	2014 Shs'000	2013 Shs'000
Balance at beginning of the year	1,005,371	1,320,497
Net change	117,919	(315,126)
Balance at end of year	1,123,290	1,005,371

c) Cash and cash equivalents

	2014 Shs'000	2013 Shs'000
Short term deposits	703,412	844,305
Cash at bank	88,257	48,228
Balance at end of year	791,669	892,533

Notes (continued)

28. Related parties

a) Government of Kenya

The Corporation is fully owned by the Government of Kenya. The Government of Kenya advanced loans and grants to the Corporation during its formative years to finance its operation. The relevant balances are shown in Note 22.

The Corporation repaid KSh. 25,000,000 (2013: KSh. 20,000,000) towards the Government of Kenya loans during the year ended 30 June 2014.

b) Investment in other related companies

The Corporation invests in other companies with a view to earning dividends and capital gain. The relevant investment balances are shown in Note 15 and 16

i. Dividends earned during the year are as follows:

	2014 Shs'000	2013 Shs'000
Dividends (Note 5)	329,529	238,498

Dividends earned from investments are declared based on management policies of respective companies where the Corporation has invested

ii. Key management compensation

Key management includes executive director. The compensation paid or payable to executive director is shown below:

	2014 Shs'000	2013 Shs'000
Salaries	6,480	6,000
Pension	1,488	1,488
	7,968	7,488

iii. Directors' remuneration

	2014	2013
Fees for services as a non-executive director	8,532	19,137
Other included in key management compensation above	7,968	7,488
	16,500	26,625

Notes (continued)

28. Related parties (continued)

iv. Loans and advances to staff

	2014 Shs'000	2013 Shs'000
Loans and advances to staff	144,929	133,452

The Corporation provides loans and advances to staff as benefits based on staff management policies prevailing from time to time. The benefit obtained by staff is subjected to income tax as required under the Kenya Income Tax Act.

v. Advances to other related parties

The Corporation grants advances to companies where they have invested in to finance their operations and working capital requirements. The relevant balances are shown in Note 18.

vi. Employees

The Industrial and Commercial Development Corporation provides certain qualifying employees with car and housing loans on terms more favourable than available in the market. The benefit obtained by staff is subjected to income tax as required under the Kenya Income Tax Act.

vii. Uchumi House tenants

The Corporation has standing lease agreements with various Government ministries and departments. The amounts receivable from these entities as at 30 June were as follows:

	2014 Shs'000	2013 Shs'000
Rent receivable from Government ministries and Parastatals	45,440	47,052
Rent receivable from other tenants	50,902	48,152
Total rent receivable	96,342	95,204

Notes (continued)

29. Capital commitments

	2014 Shs'000	2013 Shs'000
Amounts authorised and contracted for:		
a) Investments		
Loans	25,000	346,667
Equity	810,000	70,000
Total investments approved	835,000	416,667
b) Capital commitments		
Total commitments	311,121	261,035
Less: Amounts incurred and included in work-in-progress	(131,919)	-
	179,202	261,035
Total commitments	1,014,202	607,702

30. Contingent liabilities

	2014	2013
Bank guarantees	35,000	25,000
Legal claims against ICDC	71,579	71,579
	106,579	96,579

As at 30 June 2014, the Corporation had issued guarantees amounting to KShs 35,000,000 (2013: KShs 25,000,000) in favour of third parties. No losses are expected from these guarantees.

The Corporation has been sued by third parties for claims amounting to KShs 71,579,012 (2013: KShs 71,579,012) including the interest thereon and costs of the suits. In addition, as per Note 17, the Corporation has deposited KShs 12,670,000 in a joint interest earning account with the advocates of parties in a suit with the Corporation and obtained a bank guarantee of the same amount in respect of the matter. No provision has been made in these financial statements as the directors are of the opinion that no liability in respect of the above matters will crystallise.

The Corporation has investments in three of the six bottling companies in Kenya. On 26 October 2012, the bottling companies lost a case against the Kenya Revenue Authority (KRA) for contested demand for tax arrears, penalties and interest for the period 2006 to 2009 relating to excise tax on returnable containers.

The bottling companies lodged an appeal against the ruling and have in the meantime obtained conservatory orders from the court maintaining the status quo/staying any adverse action as the notice of appeal is filed. The Directors' assessment is that the matter will be resolved amicably with minimal impact to the business of the bottling companies.

Notes (continued)

31. Future rental commitments under operating leases

The total future minimum lease payments due from third parties under non – cancellable leases are as follows:

	2014 Shs'000	2013 Shs'000
Due within one year	116,345	40,251
Due within one year but less than 5 years	354,080	138,252
Due after 5 years	13,449	3,547
	483,874	182,050

32. Comparatives

The prior year financial statements have been amended to be consistent with classification in the current year as follows;

(i) Income

Recognition of interest income on non-performing loans and advances

In the prior year, interest income was recognised on non-performing loans with a corresponding provision also recognised in the profit or loss.

This treatment resulted in significant amounts of interest income and provisions being recognised and disclosed on the face of the profit or loss account.

In the current year, interest income has only been recognised on performing loans. A similar approach has been adopted for the prior year comparatives. The net effect of this change on the profit or loss is nil.

The interest on non-performing loans and corresponding provision in reported in 2013 was Shs 1,732,197.

(a) Recognition of interest on performing loans only	2013 Kshs'000
Interest on loans and advances as reported	1,898,368
Elimination of interest charged on non-performing loans	(1,732,197)
Total interest reported in operating income	**166,171**

Notes (continued)

32. Comparatives (continued)

(i) Income (continued)

Reclassification

Income from other sources other than those arising from investing activities has been reclassified to other income.

The overall impact on the disclosure in the profit or loss and related notes is as follows;

As previously stated	**2013**
Income	**Kshs'000**
Dividends	238,498
Interest on loans and advances	1,898,368
Application fees	6,795
Valuation fees and other services	13,092
Rental income	113,467
Interest on deposits	100,233
Write back on provisions for loans and advances	67,584
Gain on disposal of unquoted investments	6,436
Unrealised gains on investment property	115,165
Sundry income	9,193
Total income as reported	**2,568,831**

As reclassified:

(a) Operating income:

Dividends	238,498
Interest on loans and advances (Note 32 (c))	166,171
Application fees	6,795
Valuation fees and other services	13,092
Rental income	113,467
Interest on deposits	100,233
	638,256

(b) Other income:

Write back on provisions for loans and advances	67,584
Gain on disposal of unquoted investments	6,436
Unrealised gains on investment property	115,165
Sundry income	9,193
	198,378

Notes (continued)

33. Subsequent events

ICDC is in the process of selling 25.95% of its shareholding in Kenya Wine Agency Limited (KWAL) to Distell Group reducing its shareholding to 46.7% in the company as part of a bigger privatisation programme started in 2011 to improve the performance of State-owned entities.

A further 4% of shares expected to be sold to KWAL employees and remaining 42.65% per cent stake is to be offloaded over the next four years.

34. Incorporation

The Industrial and Commercial Development Corporation is incorporated as a Government Parastatal in Kenya under the Industrial and Commercial Development Corporation (ICDC) Act (Cap.445 Laws of Kenya) and is domiciled in Kenya.