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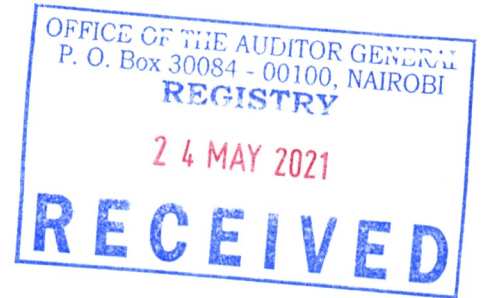
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**THE AUDITOR-GENERAL**

**ON**

**KENYA INDUSTRIAL ESTATES  
LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2020**



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**KENYA INDUSTRIAL ESTATES LTD**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2020**

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



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## **Kenya Industrial Estates Limited**

### **Reports and Financial Statements**

**For the year ended June 30, 2020**

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## **1. KEY INFORMATION OF KENYA INDUSTRIAL ESTATES LIMITED**

### **Background information**

Kenya Industrial Estates Ltd was established as a Limited Liability Company under the Companies Act in 1967. At Cabinet level, the Cabinet Secretary represents the company for Industry, Trade and Enterprise Development, who is responsible for the general policy and strategic direction of the company. The entity is domiciled in Kenya.

### **Principal Activities**

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

### **Vision**

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

### **Mission**

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

### **Core Values**

The Company upholds the following values;

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

### **Directors**

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

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

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

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

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

<b>No</b>	<b>Name</b>	<b>Position</b>	<b>Appointment date</b>
1	Mugambi Imanyara	Chairman	Appointed Chairman of the Board of Directors on the 20 <sup>th</sup> September, 2018
2	Bob Karina	Director	Appointed on the 02/10/2015 Reappointed Director on 19/12/2018
3	Dr. Parmain ole Narikae, MBS	Managing Director	Appointed on 5/9/2016
4	Geoffrey Mwitari	Alternate Director to Principal Secretary, The National Treasury	Appointed on 14/10/2015
5	Lucas Kirui	Director	Appointed on the 02/10/2015 Reappointed on 14/12/2018
6	Neto Agostinho	Director	Appointed on 14/12/2018
7	Harriette Igonanga Chiggai	Director	Appointed on 14/12/2018
8	Mark Kebenei	Director	Appointed on 14/12/2018
9	Evelyn Waithira Nyoike	Director	Appointed on 14/12/2018

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**Acting Manager, Legal Services**

Charity Ndeke  
P.O. Box 78029-00507  
Nairobi5.

**Registered Offices**

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

**Corporate Headquarters**

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

**Corporate Contacts**

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

**Corporate Bankers**

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

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**Independent Auditors**

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

**Principal Legal Adviser**


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

2. THE BOARD OF DIRECTORS

 <p>1. Mugambi Imanyara Chairman Board of Directors.</p>	<p>Mugambi Imanyara holds a Bachelor of Laws (LLB) degree from the University of Nairobi and a Post Graduate Diploma from the Kenya School of Law. He is an advocate of the High Court of Kenya and a Certified Public Secretary. He is a member of the Law Society of Kenya, the International Commission of Jurists and the Commonwealth Law Association.</p> <p>He has over 28 years' experience in private practice and consultancy and has consulted extensively for both the Government of Kenya and Non-Governmental Organisations</p>
 <p>2. Dr. Francis Otieno Owino, PhD Principal Secretary, State Department for Industrialization</p>	<p>Dr. Francis Otieno Owino, PhD is the Principal Secretary, State Department for Industrialization.</p> <p>Prior to this appointment Dr. Owino served as the Principal Secretary for Public Service and Youth since August 2018. Before his appointment as Principal Secretary, Dr. Owino served in different levels of government with experience spanning from 1990. Some of his previous assignments include; Director, National Cohesion and Values with effect from 8th September 2009 to 14th August, 2018 during which he successfully steered the formulation of policies on National Cohesion and National Values as enshrined in the Constitution of Kenya. Previously, Dr. Owino served as Assistant Secretary, Senior District Officer, Senior Assistant Secretary, Undersecretary and Acting Deputy Secretary</p> <p>Dr. Owino holds a Doctor of Philosophy [PhD] in Peace and Conflict Studies from Masinde Muliro University of Science and Technology obtained in 2013, a Masters of Business Administration [Strategic Management] from Kenya Methodist University, 2008, and a Bachelor of Arts [B.A] 2nd Class Upper Division, University of Nairobi, 1989. Besides that, He possesses a Certificate in Guidance and Counseling from University of Nairobi in 2005</p> <p>Dr. Owino has attended several foreign trainings including Contemporary Public Administration Management, Galilee Israel in 2017, Peace and Conflict Consultant, Academy for Conflict Transformation in Germany in 2015, Managing Public Private Partnership Programme by ESAMI in Arusha, Tanzania from 3rd – 28th June 2013 and Pro – Active Management Programme by ESAMI, Arusha Tanzania from 2nd May – 20th May 2011</p> <p>In his academic journey, Dr. Owino has published a book “Owino F. and Oita E (2017) Understanding National Cohesion in Kenya, Nairobi, Jomo Kenyatta Foundation Publishers. He has also presented selected papers in different academic and professional forums.</p> <p>Dr. Owino recently successfully planned, hosted and chaired the 1st African Union Conference of State Parties on Public Service and Administration. He is a Board Member of the East and Southern African Management Institute (ESAMI) Governing Council</p>

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 <p>3. Dr. Parmain ole Narikae Managing Director</p>	<p>Dr. Parmain ole Narikae is the Managing Director. He holds Doctorate in Business Administration. He also holds an MBA and Bachelor of Science Degree in Business Administration (First class honors) from United States International University. He has wide experience as a career banker having served in senior leadership position as Chief Manager, General Manager and Executive Director in Co-operative Bank and Chase Bank. He is a member of the Institute of Directors.</p> <p>He joined on 5<sup>th</sup> September, 2016.</p>
 <p>4. Bob Karina Director</p>	<p>Bob Karina holds a Master of Science (MSc) in Corporate Finance from the University of Liverpool (UK). He is an accomplished stockbroker, an information technology professional and a successful businessman. He has broad experience in advising institutional and corporate investors, corporate finance consulting and research analysis. He is also the Chairman and Founder of Faida Investment Bank.</p> <p>He joined the Company on the 2<sup>nd</sup> October, 2015 and was reappointed on 19/12/2018.</p>
 <p>5. CPA Geoffrey K. Mwitari Alternate Director to Principal Secretary, The National Treasury</p>	<p>CPA Geoffrey Mwitari holds an MBA in Strategic Management from Moi University. He is a Certified Public Accountant registered with ICPAK and has wide knowledge in Government Finance and Accounting. Currently working with the National Treasury, Directorate of Accounting Services.</p> <p>He joined the Company on the 14th October, 2015.</p>
 <p>6. Lucas Kirui Director</p>	<p>Lucas Kirui holds a Diploma in Sales and Marketing and has experience in procurement management. He also has experience in Marketing and administration.</p> <p>He joined the Company on the 2<sup>nd</sup> October, 2015 and was reappointed on 19/12/2018.</p>

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 <p>7. Mark K. Kebenei Director</p>	<p>Mark K. Kebenei holds a Bachelor's of Science degree in Finance and Economics from the University of Birmingham, Alabama, USA. He is also pursuing his Executive Master's Degree (EMBA) from the University of Alabama, USA.</p> <p>He is a seasoned Professional and Corporate leader and has vast knowledge in Financial Management, Investments and Institutions, and also a concentration on Analysis and Policy.</p> <p>He is an established businessman in the petroleum and gas industry.</p> <p>He joined the Company on 14/12/2018.</p>
 <p>8. Evelyn Waithira Nyoike, HSC Director</p>	<p>Evelyn Waithira Nyoike, HSC is a holder of Master's Degree in Communication from the University of Nairobi, and an Undergraduate Degree in Community Development from Daystar University.</p> <p>She was conferred by H.E. Mwai Kibaki, an award in the order of the Head of State Commendation (HSC) for her immense contribution in championing Paradigm Shifts in Agribusiness and Civic Education to the Society.</p> <p>Evelyn has had an iconic career in the media spanning over a decade, working with Kenya Broadcasting Corporation before moving to the Royal Media Services where she was recognized country-wide as the best Morning Show Hostess on a range of matters, majorly Agribusiness, Civic Education and emerging matters in business and Social Economic Affairs.</p> <p>She has a blazing passion for empowering other people in the spheres economic and/or otherwise, and spends her free time educating the Public and Communities on various Empowerment Engagements.</p> <p>She joined the Company on the 14<sup>th</sup> December, 2018.</p>
 <p>9. Harriette Chiggai Director</p>	<p>Harriette Chiggai is an Advocate of the High Court of Kenya. She is the Vice President of the Law Society of Kenya. She has an MBA-Finance and Governance. She is a Certified Mediator (CPM) and a Certified Governance Trainer. She is a Member Mediation and Accreditation Committee of the Supreme Court of Kenya.</p> <p>She is the Founder of the Face of Bar, the Western Jurists and the Nairobi County Youth board Forums. She is also the Chairman and a Board member of Siasa Place.</p> <p>She is a certified resident ambassador to the Netherlands having achieved the DVP world greatest potentials on the rule of law and governance.</p> <p>She previously served as a Council Member Law Society of Kenya where she chaired in -house Committee and the Young Lawyers Committee (among founding members). She has also served as a member, Youth Committee- National Chambers of Commerce and Industry and Deputy Secretary General East Africa Law Society and Chaired the EALS Young Lawyers Committee (Caucus).</p> <p>She has vast experience in Corporate Governance and Board Management. She is a Legal Consultant and trainer in the vast legal</p>

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	<p>field Including Corporate Governance, labour laws, intellectual property and strategy and risk management.</p> <p>She is passionate about leadership, governance, youth mentorship and development. She was nominated by PAW Africa as the 2015 Phenomenal African Woman of the year based on her contribution to mentorship programmes and progressive leadership and governance.</p> <p>She joined the Company on the 14<sup>th</sup> December, 2018.</p>
 <p>10. Neto Agostinho Director</p>	<p>Neto Agostinho is a trained Lawyer from the University of Nairobi. He participated in Human Rights events at the University of Nairobi named Africa’s Fourth Best Oralist on issues Human Rights in 2004, at an event organized by Center For Human Rights, Pretoria, held at Dar es Salaam University. He is currently a masters Student on International Relations at the United States International University in Africa.</p> <p>Neto represented Ndhwa Constituency, in Homabay County at the National Assembly of Kenya, as a member of Parliament. He was first elected to Parliament in September 2012 following a by-election in the Constituency and got re-elected in March 2013.</p> <p>He served in the Committees of Delegated legislation and Justice and legal Affairs at the National Assembly. He was the Vice Chair of Bunge Sports Club, and the Convener of the Parliamentary Caucus on Human Rights. He was also the vice Chair of Common Wealth Africa Parliamentary Human Rights Group.</p> <p>Neto has a special interest in Human Rights and international Relations. He participates in various Human Rights related activities that range from equality to Economic Social Cultural rights. The legislations he championed in Parliament included amongst other laws, the Health Records and Information Managers Act, the Refugee Bill, The Reparations Bill and the Employment Skills Development bill.</p> <p>Neto serves as an expert Human Rights Resource person, and has trained parliamentarians in the South East Asia region in March 2016 – Srilanka on the role of parliamentarians in promoting and protecting Human Rights. He participated in Human Rights panel discussions in Glion III hearings in Switzerland May 2016. He participated as an expert in Geneva, Switzerland to help draw recommendations for Human Rights Council on early child and forced marriages in November 2016. He has also participated as an expert at the World Refugee Council session in Dar es Salaam Tanzania in 2018 to help highlight durable solutions for Refugees in Horn of Africa. He was a resource person in March 2019 for the Parliament of Georgia on Human Rights and National Security, a program of the European Union. He was a resource person for Parliamentarians in the Pacific region, on Human Rights and Protection of Human Rights at the Parliament of Tonga, courtesy of the Commonwealth Human Rights Secretariat, in April 2019.</p> <p>Neto Currently is the co-leader of the United Green Movement, a movement which amongst other things, seeks to help realize, civil, political economic, social cultural and Brotherhood Rights in Kenya. He is a member of the Board of Directors of Kenya’s National Environmental Management Authority (NEMA).</p> <p>He joined the Company on 14/12/2018.</p>

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 <p>11. Charity Ndeke Acting Manager, Legal Services</p>	<p>Charity M. Ndeke is an advocate of the High Court of Kenya. She holds a Bachelor of Laws Degree (LLB) from the University of Nairobi and a Post Graduate Diploma from the Kenya School of Law (KSL). She is also a Certified Secretary and a member of the Institute of Certified Secretaries.</p> <p>She has vast experience in Commercial law.</p> <p>She joined the Company in January, 2015.</p>
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**3. MANAGEMENT TEAM**

 <p>1. Dr. Parmain ole Narikae Managing Director</p>	<p>Dr. Parmain ole Narikae is the Managing Director. He holds Doctorate in Business Administration. He also holds an MBA and Bachelor of Science Degree in Business Administration (First class honors) from United States International University. He has wide experience as a career banker having served in senior leadership position as Chief Manager, General Manager and Executive Director in Co-operative Bank and Chase Bank. He is a member of the Institute of Directors.</p> <p>He joined on 5<sup>th</sup> September, 2016.</p>
 <p>2. Monica C. Kotut Manager, Corporate Strategy and Planning</p>	<p>Mrs. Monica Kotut is currently the Manager, Corporate Strategy and Planning. She holds an MBA (HR Option) from Kenyatta University; Bachelor of Arts from Moi University and Higher National Diploma in Human Resource Management from the Institute of Human Resource management (IHRM). She is member of the Institute of Human Resource management. She joined KIE in 1994 as a Projects Officer and rose through the ranks to the current position.</p>
 <p>3. Joseph Otieno Ayieko Acting Manager, Business Advisory Services</p>	<p>Mr. Joseph Ayieko holds an Msc in Entrepreneurship from Jomo Kenyatta University of Science and Technology, Bachelor of Business Administration with Information Technology, Diploma in Community Based Project Planning and Management, Diploma in Cooperative Audit, CPA- (Part II) and Certificate in Rural Credit Management, Certified ILO Trainer on Gender and Entrepreneurship, Certified in Strategic Management and Leadership. He has over Twenty-five (25) years of work experience within MSME Sector. He is a consultant and entrepreneurship trainer on sustainable rural economic empowerment, a trained Environmental Impact and Environmental Audit Assessor and a member of Eastern Africa Network for Gender and Enterprise Development Trust.</p> <p>He joined the company on 19<sup>th</sup> July, 1993.</p>
 <p>4. Charity Ndeke Acting Manager, Legal Services</p>	<p>Charity M. Ndeke is an advocate of the High Court of Kenya. She holds a Bachelor of Laws Degree (LLB) from the University of Nairobi and a Post Graduate Diploma from the Kenya School of Law (KSL). She is also a Certified Secretary and a member of the Institute of Certified Secretaries.</p> <p>She has vast experience in Commercial law.</p> <p>She joined the Company in January, 2015.</p>

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 <p>5. CPA Charles M. Mativo Finance Manager</p>	<p>CPA Charles Mativo is an Accountant by profession and holds a Bachelor of Commerce degree from KCA University. He is a Certified Public Accountant CPA (K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He has experience in Accounting and Finance. He joined the company in 1985.</p>
 <p>6. Joseph K. Tele Manager, Industrial Estates Development &amp; Incubations services</p>	<p>Mr Joseph K. Tele holds Masters of Business administration degree from Kenyatta University and Bachelor of Commerce Degree in Accounting and Auditing from University of Poona. He is currently pursuing masters of management and leadership degree at MUA. He joined KIE in 1987 as a projects Accountant and has previously held various management positions as Finance manager and Credit Risk Manager. Mr Tele is also a Board member of Kenegut Secondary School.</p>
 <p>7. Reginald Kimanthi Manager, Operations</p>	<p>Mr. Reginald Kimanthi is an economist by profession and holds a BA in Cooperative Management from Kenyatta University.</p> <p>He joined KIE in 1986 as a Projects Officer and rose through the ranks as Branch Manager, Regional Manager and Head of Department as is currently the Manager, Operations.</p>
 <p>8. CPA Teobard Mugo Manager, Internal Audit</p>	<p>CPA Teobard Mugo is an Accountant by profession and holds a Bachelor of Commerce degree from KCA University. He is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He is in charge of the Internal Audit Department. He joined the company in 1994.</p>

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9. Doreen K. Kimathi  
Acting Manager, Credit Department

Mrs. Doreen Kimathi is currently the Acting Manager in charge of Credit Department. She holds a PhD in entrepreneurship from Jomo Kenyatta University of Agriculture and Technology (JKUAT), an MBA (Strategic Management) from USIU-Africa and Bachelor of Commerce (Honours), Kenyatta University. She has vast banking and finance experience spanning over 13 years. She joined KIE in 2017.

#### **4. CHAIRPERSON'S STATEMENT**



It gives me pleasure to present to you 2019/2020 Annual Report and Financial Statements for Kenya Industrial Estates (KIE). The period was characterised by uncertainty caused by economic shock occasioned by the outbreak of Coronavirus Pandemic. Despite the challenges brought by the economic downturn, the company weathered the shock to make significant progress in delivering on its mandate of championing the development of Micro Small and Medium Enterprises (MSMEs) throughout the country.

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

The Kenya Micro, Small and Medium Enterprise Sector continues to be one of the major contributors of economic growth. The sector accounts for approximately 35% of GDP, contributes to more than 98% of all businesses in the country and currently employs 14.9 Million workers. The Covid-19 Pandemic severely affected the sector due to restriction on movement imposed and as one of the players in the sector, mandated to support MSMEs, we came up with interventions to assist MSMEs in the manufacturing sector to navigate their businesses through the challenging period. These, among others, included restructuring the loans and providing liquidity to the businesses.

#### **Business Environment**

The world real GDP recorded a decelerated growth of 2.9 per cent in 2019 compared to a growth of 3.5 per cent in 2018. Sub-Saharan Africa grew slightly slower by 3.1 percent compared to a 3.3 percent growth in 2018. Kenya economy's real Gross Domestic Product expanded by 5.4 percent in 2019, slightly below a growth of 6.3 percent in 2018. The economic data for the first half of 2019/2020 Financial Year indicated a stable business environment with key indicators posting marginal movement. However, the outbreak of COVID-19 in the second half of the financial year hit the global economy hard, causing an economic slowdown with adverse effect on most sectors of the economy.

#### **Business Performance**

The company delivered a resilient performance in all the key result areas. Credit to MSMEs increased by 204%, number of entrepreneurs trained increased by 30.1% while linkages across sectors increased by 77.2%. The company posted a profit for the first time signifying the turnaround strategy developed by the Boards has produced positive results. These impressive results were achievements despite the economic shock experienced within the period.

#### **Turnaround Strategy**

The Board will continue to implement the turnaround strategy to achieve the desired objectives of becoming financially viable and self-sustaining, broadening KIE product offering and creating a positive brand image through marketing and communication.

## **Kenya Industrial Estates Limited**

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#### **Community Engagement**

As a responsible corporate Citizen, we are committed to deliver our mandate in a responsible manner by showing concern for the environment and communities within the areas we operate. Within the period, our staff were involved in community engagements and environmental conservation efforts in various parts of the country.

#### **Outlook**

There is a global concerted effort to find a solution for the Covid-19 pandemic. Local efforts by Government to contain the spread have been effective. The Government has come up with Post Covid-19 Economic Recovery Strategy and we are optimistic that with this strategy the economy will be revived and businesses will become vibrant again.

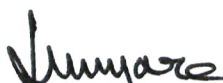
#### **Appreciation**

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

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

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

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



**MUGAMBI IMANYARA,  
CHAIRPERSON, BOARD OF DIRECTORS**

## **5. REPORT OF THE CHIEF EXECUTIVE OFFICER**



I am delighted to present to you the company Annual Report for the year ended 30th June 2020. This was a period, which was characterised by global economic slowdown caused by outbreak of COVID-19 Pandemic. The Micro, Small and Medium Enterprises (MSMEs) were severely affected due to the restriction imposed on movement. Nevertheless, the company weathered the storm to post impressive results.

### **Our Purpose**

Kenya Industrial Estates (KIE) exist for the sole purpose of supporting industrialization through the development of Micro, Small and Medium Enterprises. To execute our mandate, we use a multipronged approach; we provide the MSMEs with credit facilities, Business and Technical Advisory Services (BAS) incubation facilities and linkages with markets and Technology.

### **Business Environment**

The Kenya economy grew by 5.4% in 2019 compared to a growth of 6.3 % in 2018. The growth was more pronounced in service-oriented sectors. The Financial services and insurance sector accounted for most of the growth while agriculture, forestry and fishing accounted for the largest proportion of the slowdown. The outbreak of the Covid-19 pandemic had unparalleled negative impact on the social and economic activities across the world and the global gross domestic product is projected to shrink by 3.0 percent in 2020. The performance of Kenya's economy in 2020, like most other economies all over the world, will largely be determined by how long the disruption will last. Kenya's economic growth is expected to decline to below 2.5 percent in 2020 and this will consequently have an adverse impact on economic activities in the country.

### **Business Performance**

The company recorded a remarkable performance in operations in the year 2019/2020 compared to 2018/2019 despite the challenging business environment. Disbursement of loans to MSMEs amounted to Kshs 1,222.4 million in 2019/20 compared to Kshs. 401.7 Million in 2018/2019 recording a 204% increase. The number of entrepreneurs trained on business and entrepreneurship skills increased by 30.1 % from 43,924 in 2018/2019 to 57,150 in the period. Linkages to markets and Technology increased by 7.2% to 3,683 in 2019/2020 compared to 2,079 in 2018/2019. The company continued to provide incubation facilities to MSMEs to increase their chances of survival and growth.

The implementation of the Big-4 Agenda was one of the key focus areas for the Company during the period. Kenya Industrial Estate's activity of providing credit to MSMEs in manufacturing sector is very critical to the achievement of the Big 4 Agenda. The company made great strides during the period in the implementation this important government initiative and MSMEs were facilitated with credit facilities, capacity building and were linked within and across sectors.

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#### **Financial Performance**

During the period under review, the Company posted a pre-tax profit of Kshs.8.95 Million compared to a pre-tax loss of Kshs. 93.6 Million in the previous period. Company Assets increased to Kshs. 4.50 Billion as at 30<sup>th</sup> June 2020 compared to assets of Kshs. 3.30 Billion as at 30<sup>th</sup> June 2019. This remarkable performance signifies the company's return to profitability after a very long period of loss making.

#### **Strategy**

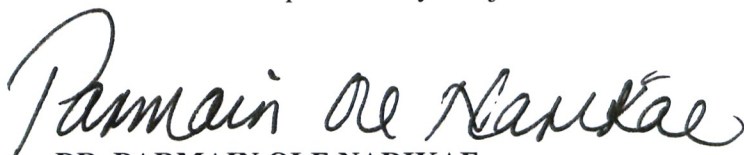
Over the last four years, the company has been working towards turning around and becoming financially sustainable. We have started to realise gains from this strategy and we intend to entrench and build on the achievements made so far. Financial sustainability, product diversification and brand image will remain areas of key focus in our strategy.

#### **Our people**

The organization's good results would not have been possible without the commitment and effort of each employee. Our people are the most important link in provision of services to MSMES and the company will continue to focus on capacity building and personal development of all employees to ensure they bring out their best.

#### **Outlook**

The worldwide solidarity to get a solution for the COVID-19 pandemic is gaining momentum. We are optimistic that a solution for the pandemic will soon be found and the economy will recover. KIE will support MSMEs in the Manufacturing Sector during the post covid-19, to resuscitate and revive the businesses back to productivity and job creation.



**DR. PARMAIN OLE NARIKAE  
MANAGING DIRECTOR**

## Kenya Industrial Estates Limited

### Reports and Financial Statements For the year ended June 30, 2020

#### 6. REVIEW OF KENYA INDUSTRIAL ESTATES CORPORATION 'S PERFORMANCE FOR FY 2019/2020

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Kenya Industrial Estates ltd has four (4) strategic pillars and (5) objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

Pillar 1: *Align KIE activities to the Vision 2030 developmental pillars.*

Pillar 2: *Grow revenue to attain financial self-sustainability.*

Pillar 3: *Enhance operational efficiency to a level comparable with best practices in the industry.*

Pillar 4: *Strengthen the KIE brand*

#### Kenya Industrial Estates Strategic objectives

The strategic objectives have been identified with the aim of improving performance based on the available resources and taking into account both the internal and external environment facing the company. The following are our strategic objectives:

1. Scale up KIE operations in line with Vision 2030 Goals;
2. Enhance profitability and financial sustainability of the organization;
3. Enhance efficiency and effectiveness in service delivery;
4. Enhance institutional capacity; and
5. Enhance KIE corporate image.

Kenya Industrial Estates develops its annual work plans based on the above four (4) pillars and five (5) strategic objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. KIE Ltd achieved its performance targets set for the FY 2019/2020 period for its four (4) strategic pillars, as indicated in the diagram below:

Strategic Pillar	Strategic Objective	Activities	Key Performance Indicators	Achievements 2019/2020
Pillar 1: Align KIE activities to the Vision 2030 developmental pillars.	1. Scale up KIE Operations in Line with Vision 2030 Aspirations	1. Increase current products performance & penetration in the market	<ul style="list-style-type: none"><li>• Amount of credit disbursed to MSMEs</li><li>• Number of MSMEs financed.</li></ul>	<ul style="list-style-type: none"><li>• Disbursed Kshs 1,222.4 million</li><li>• Created 2,441 new enterprises</li></ul>
		2. Development of Eco-industrial SME parks (Completion of Nairobi SME parks)	Completed SME park	100% completed
		3. Undertake entrepreneurship training	No. of entrepreneurs trained	57,150 MSMEs trained against a target of 44,000 MSMEs
		4. Seek partnership with counties to	Number of partnerships engaged	Entered into 5 partnerships with Counties

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Strategic Pillar	Strategic Objective	Activities	Key Performance Indicators	Achievements 2019/2020
		support development of MSMEs		
		5. Participate in National SMEs Expo	Number of expos participated	Participated in 5 SMEs expos
		6. Facilitate Linkages within and across sectors to support growth of MSMEs	Number of linkages facilitated	3683 linkages facilitated against a target of 2,200 linkages
Pillar 2: <i>Grow revenue to attain financial self-sustainability.</i>	2.Enhance profitability and financial sustainability of the organization	1. Grow loan portfolio to Kshs 3.2 billion through seeking grants and concessional loans over a period of 3 years.	Approved development budget for the period	Allocated Kshs. 1.2 Billion in 2019/2020 budget
		2. Management of Bad Debt Portfolio	Bad debt portfolio of up to Kshs. 165 Million fully cleared	Kshs. 146.9 Million written off
		3. Engage the government for increased development funding to Kshs 3.2 billion over a period of 3 years.	Approved development budget for the period  Number of MSMEs supported during the plan  Number of jobs created	Received Allocation of Kshs. 1.2 Billion  Disbursed Kshs 1,222.4 Million to 2,441 enterprises  Created 37,290 jobs
		4. Adoption of sound commercial principles for profitability and sustainability	Commercial principles adopted	<ul style="list-style-type: none"> <li>• AADFI guidelines adopted</li> <li>• Attained Profit of Kshs 8.95 million</li> </ul>
		5. Reduce loan portfolio at risk (PAR) to 5% through sound operational and credit decisions	Rate of PAR achieved during the period	Achieved PAR of 14.6 % up from PAR of 19.23% in 2018/2019
		6. Maximize earnings from the asset base	Rate of return on investment achieved	ROI of 0.20%
		7. Institute principles of corporate governance	Principles of corporate Governance Instituted	Implemented Mwongonzo Guidelines
		8. Grow KIE profits annually	Achieve a pre-tax loss of Kshs. 44.3 million	Achieved a Pre-tax Profit of Kshs 8.95 M up from a loss of Kshs.93.6 M in the previous year

**Kenya Industrial Estates Limited**

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<b>Strategic Pillar</b>	<b>Strategic Objective</b>	<b>Activities</b>	<b>Key Performance Indicators</b>	<b>Achievements 2019/2020</b>
Pillar 3: <i>Enhance operational efficiency to a level comparable with best practices in the industry</i>	3.Enhance efficiency and effectiveness in service delivery	1. Develop an ICT master plan	ICT Master plan	Master developed
		2. Continuous maintenance of ICT infrastructure at the branches and headquarters	ICT maintenance undertaken	<ul style="list-style-type: none"> <li>▪ Undertook maintenance of computers and printers</li> <li>▪ Maintained our network infrastructure</li> <li>▪ Repaired Biometric System</li> <li>▪ Undertook maintenance at the Server room</li> </ul>
		3. Develop a disaster recovery & business continuity plan	Disaster recovery plan developed	Disaster recovery plan in place
		4. Maintain the MSMEs catalogue	Updated MSMEs catalogue updated	Catalogue in place
		5. Determine optimum investment levels for each branch to achieve profitability	Optimal level of investment determined	As per cascaded PC targets for 2019/2020
		6. Enhance facilitation of branches for effective service delivery	Facilitation undertaken	Timely release of administration grant
	4.Enhance Institutional Capacity	1. Continuous staffing gap assessment, deployment/ recruitment	Skills gap assessment report  Number of deployments/ recruitments undertaken	Skills gap analysis report done  5 deployments made
		2. Continuous skills upgrading and capacity building	Number of trainings undertaken Number of staff trained	6 trainings undertaken 12 staff trained
		3. Review and improve staff emoluments	Review undertaken  Review approval obtained	Annual increment given to staff
		4. Continuous improvement of staff welfare through medical scheme	Medical scheme in place	<ul style="list-style-type: none"> <li>• Staff medical insurance scheme in place</li> <li>• Group life insurance Scheme in place</li> </ul>
		5. Apply result based management	Staff appraisal report	Staff appraised
6. Submission of Financial statements for Audits		Reports submitted.  Audits undertaken	Audit for 2018/2019 undertaken	

**Kenya Industrial Estates Limited**

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**For the year ended June 30, 2020**

<b>Strategic Pillar</b>	<b>Strategic Objective</b>	<b>Activities</b>	<b>Key Performance Indicators</b>	<b>Achievements 2019/2020</b>
		7. Undertake legal audit on all KIE compliance with all statutory requirements	Compliance Audit Report	Audit undertaken
Pillar 4: <i>Strengthen the KIE brand</i>	5. Enhance KIE Corporate Image	1. Improve customer care and feedback	Customer care and feedback reports	99% achievement as per CAJ rating
		2. Institute product awareness and promotional activities	Product fliers and brochures produced and distributed  Number of promotion activities	Brochures and fliers distributed to all branches and to stakeholders during marketing drives such as shows and exhibitions  Participated in 4 exhibitions 2 National shows and 2 SME innovation workshops  Enhanced public profile through appearance in mainstream media

## **7. CORPORATE GOVERNANCE STATEMENT**

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

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

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

The Board Charter spells out the roles, composition and responsibilities of the Board of Directors.

### **The Board of Directors**

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

### **Role and Functions of the Board**

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

1. Determining the business strategies, plans and policies that underpin the corporate strategy;
2. Discussing and approving strategic plans, policies and annual budgets;
3. Continually monitoring the exercise of delegated power by management;
4. Ensuring that a comprehensive system of policies and procedures is in place and that appropriate governance structures exist to ensure the smooth, efficient and prudent stewardship of the Company;
5. Identifying and reviewing key risks, opportunities and strengths relating to the Company;
6. Ensuring that the company's organisational structure and capability are appropriate for implementing the chosen strategies;
7. Setting policies on internal control and obtaining regular assurance that the system is functioning effectively and is effective in managing risks;

## **Kenya Industrial Estates Limited**

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**For the year ended June 30, 2020**

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

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

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

#### **Board Committees:**

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

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

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

#### **Finance and Investment Committee**

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

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

1. Bob Karina - Chairperson
2. Evelyn Nyoike
3. Harriette Chiggai
4. Lawrence Lelei (Alternate to the PS, State Department for Industrialisation)
5. Geoffrey Mwitari (Alternate to the PS National Treasury)

#### **Audit Committee**

This is an oversight Committee of the Board. The Committee assists the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparations of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards. The Committee reviews and assess the integrity of the risk control systems and ensure that the risk policies and strategies are effectively managed.

The membership of the Audit Committee is comprised as follows:

1. Harriette Chiggai - Chairperson
2. Agostinho Neto
3. Lucas Kirui

## Kenya Industrial Estates Limited

### Reports and Financial Statements For the year ended June 30, 2020

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4. Lawrence Lelei (Alternate to the PS, State Department for Industrialization)
5. Mark Kebenei

#### Human Resource and Legal Committee

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

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

1. Lucas Kirui- Chairperson
2. Bob Karina
3. Geoffrey Mwitari (Alternate to the Cabinet Secretary, The National Treasury)
4. Agostinho Neto

#### Board Meetings

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

The Notice and Agenda and detailed Board Papers of meetings are circulated on a timely basis to ensure that the directors receive accurate, timely and clear information to enable it discharge their duties.

The Board held 4 meetings during the year under review. Each Board member belongs to two Committees. The attendance was as follows:

Name Of Non-executive Director	Expected No. of meetings in the year 2019/2020	No. of meetings attended	% Attendance
Bob Karina	4	4	100
Lukas Kirui	4	4	100
Mugambi Imanyara	4	4	100
Lawrence Lelei	4	1	25
Harriette Chiggai	4	4	100
Mark Kebenei	4	3	75
Evelyn Nyoike	4	4	100
Agostinho Neto	4	4	100

**Kenya Industrial Estates Limited**

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**Board Remuneration**

Board members are remunerated for their services in accordance with the relevant legislative provisions and/or guidance from the State Corporations Advisory Committee. Details of Directors emoluments during the year are shown on page 53 note 6 (c). Directors are entitled to sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided) accommodation allowance and mileage reimbursement where applicable within set limits of state corporations. In addition, the Chairman is paid a monthly honorarium.

**Directors Shareholding**

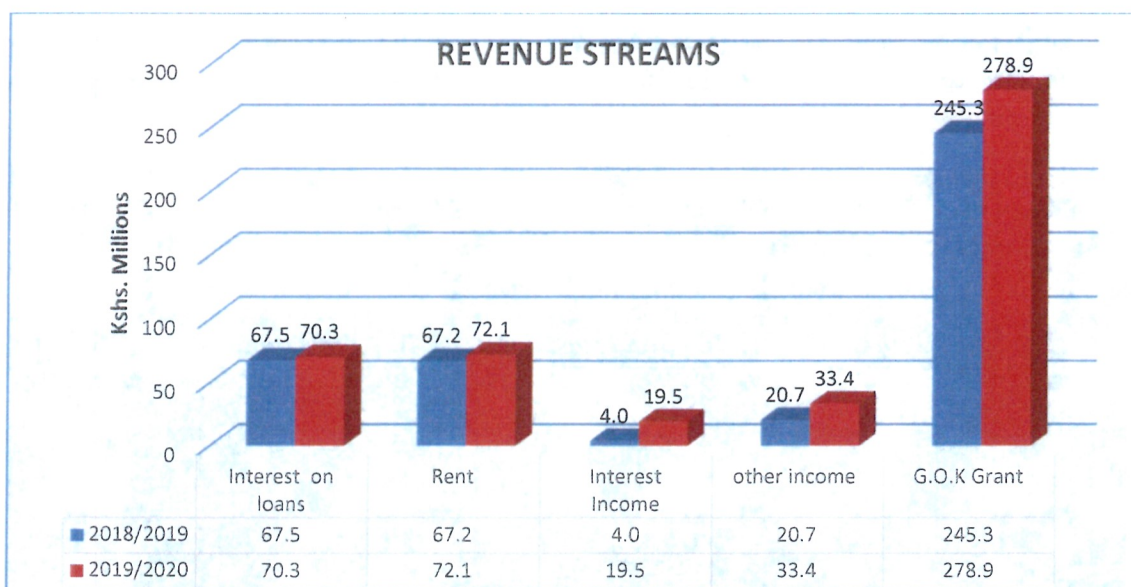
None of the Directors owns shares in the Company in their individual capacity.

## 8. MANAGEMENT DISCUSSION AND ANALYSIS

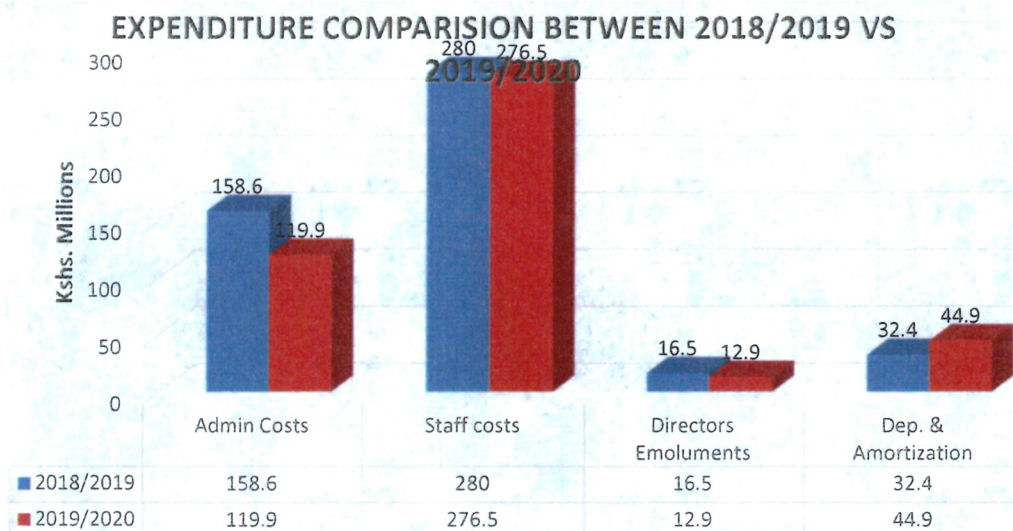
### 1. Financial Performance

#### a) Pre-tax

During the Financial year 2019/2020, the Company posted a pre-tax profit of Kshs.8.95 Million. This is compared to a loss of Kshs. 93.6 million for the last Financial Year 2018/2019. The overall Return on investment for the financial year is 0.2%.



The Company's operating expenditure for the Financial year under review was Kshs 454.2 million compared Kshs 487.5 million in the Financial year 2018/2019.



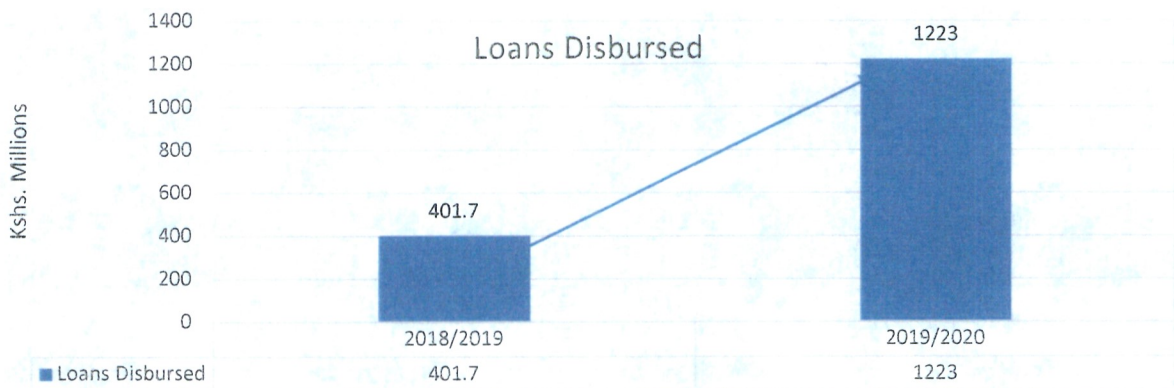
### **b) Company Financial Position**

The company total assets as at 30<sup>th</sup> June, 2020 stood at Kshs. 4.50 Billion compared to Kshs 3.29 Billion for same period in the last Financial Year. The company current assets amounted to Kshs. 1.163 Billion compared to current liabilities amounting to Kshs. 327.8 million. Current assets for same period in the last financial year amounted to Kshs.333.3 million while current liabilities for same period in the last financial year amounted to Kshs.343.3 Billion. The organizations financial position has greatly improved.

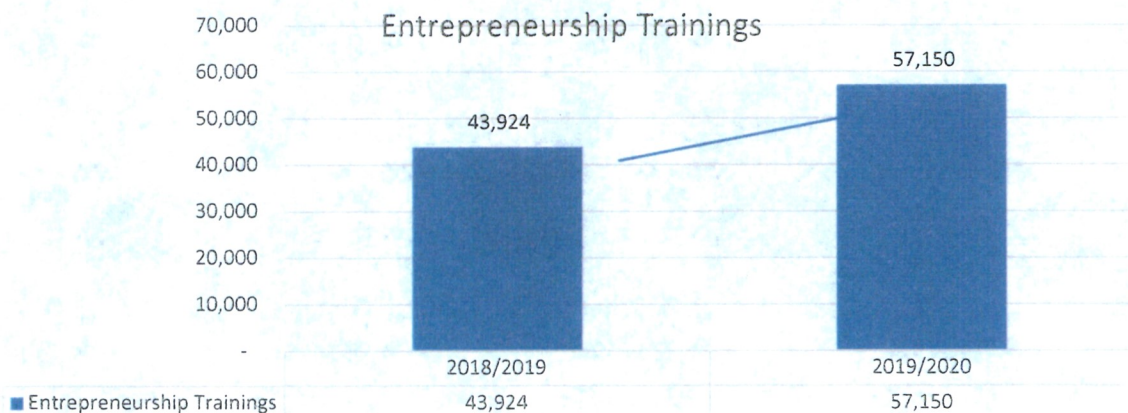
### **2. Operations**

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

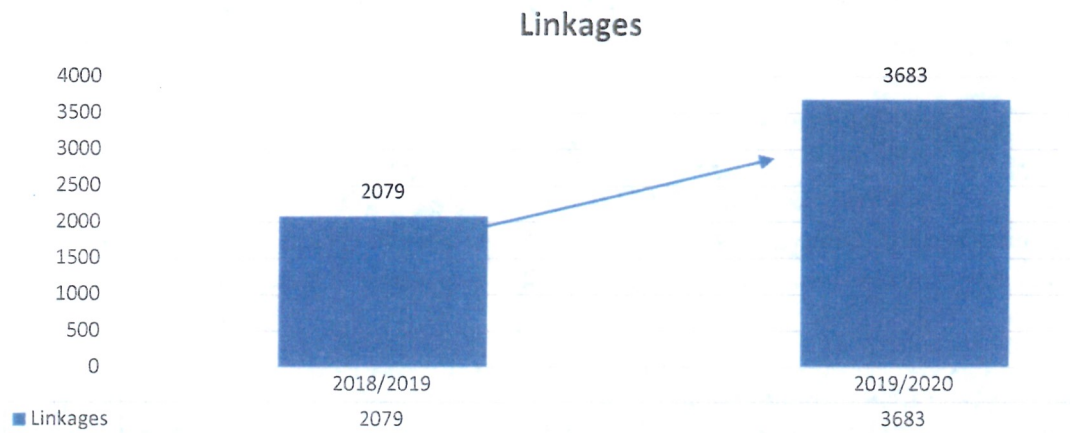
**a) Credit to SMEs:** For the period under review, the company recorded 204% increase in amount of credit offered SMEs to a tune of Kshs. 1,223 Million compared to Kshs.401.7 Million in 2018/2019 Financial Year.



**b) Entrepreneurship Training:** For the period under review, the company recorded 30.1 % growth in number of SMEs trained to 57,150 SMEs across the country compared to 43,924 trained in 2018/2019 Financial Year.



c) **Linkages:** For the period under review, the company recorded 77.2 % growth in linkages of SMEs to large enterprises, market and suppliers of machinery. The company linked 3,683 SMEs compared to 2,079 linkages in the previous year.



### **3. Key projects and investment being implemented by KIE**

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

#### **Credit to Small and Medium Enterprises (SMEs)**

This project aims at providing affordable medium to long-term credit to SMEs in the manufacturing sector which is core to the country vision of becoming a newly industrialized, globally competitive and prosperous middle income country by year 2030. The total project cost is estimated at Kshs.3.35 Billion and is being implemented over three financial years up to 2021/2022. The expected outputs of the project are: Disbursement of Kshs.3.35 Billion to SMEs, Creation of 9,249 new enterprises, Creation new 46,205 direct jobs and Creation of over 231,000 indirect jobs. Other benefits of the project are: Stimulating rural industrialization, Wealth Creation, Equitable distribution of wealth, Support to Youth and Women, Value addition to local raw materials and increase in contribution to government taxes by SMEs. The project completion rate is at 61.1 % with total expenditure of kshs.2.046 Billion as at 30<sup>th</sup> June, 2020.

### **4. Major risks facing the entity**

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

#### **a) Credit Risk Management**

Credit risk refers to the risk that a counterparty will be unable to pay amounts in full when due. The company's credit risk is primarily attributable to liquid funds and loans advanced to customers. The company credit risk attributable to liquid funds is low because the counter parties are banks with high

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### **Reports and Financial Statements For the year ended June 30, 2020**

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reputation. Credit risk attributable to loans is managed through a framework that sets out policies and procedures covering its measurement and management. The company has ensured clear segregation of duties between transaction originators in the business (Filed officers and Business Development) and approvers in the Risk Function. All credit exposure limits are approved within a defined credit approval authority matrix. The company also manages its credit exposures through the principle of diversification across products, geographical locations, industries and client segments. Potential credit losses from any given account, client or portfolio are mitigated using a range of tools such as collateral, credit insurance and guarantees.

#### **b) Liquidity Risk Management**

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. KIE's Board of Directors have built a liquidity risk management framework for managing the company short-term, medium and long-term funding requirements. KIE continuously monitors forecasts and actual cash flows to ensure company's liquidity requirements are met.

#### **c) Market Risk Management**

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

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

#### **d) Operational Risk**

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

### **5. Material arrears in statutory/financial obligations**

The company has no material arrears in statutory and financial obligations.

### **6. Entity's compliance with statutory requirements**

The company does not have any governance issues among the Board or members of top management. Further there is no conflict of interest.

## **9. CORPORATION SOCIAL RESPONSIBILITY STATEMENT/ SUSTAINABILITY REPORTING**

Kenya Industrial Estates exists to transform lives. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy which is founded on Four Pillars; Pillar 1: Align KIE activities to the Vision 2030 developmental pillars; Pillar 2: Grow revenue to attain financial self-sustainability; Pillar 3: Enhance operational efficiency to a level comparable with best practices in the industry; Pillar 4: Strengthen the KIE brand.

### **Sustainability Strategy and profile**

Kenya Industrial Estates (KIE) is committed to creating a long-term value for our Stakeholders in all the areas we operate. As we deliver on our mission, we also seek to ensure our sustainability, our customers' sustainability and environmental sustainability. We are a responsible corporate citizen who is committed to responsible and ethical business practices. We ensure our customers derive value from our relationship, our staff are nurtured to bring out their best and a robust relationship is maintained with our partners. As an organization operating in various parts of the country, we are concerned with the environment and the communities in the areas we conduct our activities. Our mandate of supporting Industrialization through development of Micro, Small and Medium Enterprises (MSMEs) is aligned to sustainable Development goal No.9 on building resilient infrastructure; promote inclusive and sustainable industrialization and further innovation. We are also actively involved in sensitizing our customers on climate change.

Our focus areas for sustainability agenda are Financial Sustainability, Environment, Our employees, market place practices and community engagement.

#### **1. Financial Sustainability**

Financial Sustainability is Key to realising the organizations Mandate of promoting Industrialization through Development of Micro, Small and Medium Enterprises in Kenya. KIE is one of the key organization implementing the BIG 4 Agenda under the industrialization Pillar by providing credit to MSMEs, which is a government-funded project. We have also scaled up our operation, broadened our products offering, and ensured our products are competitive. To ensure our customers develop successful industries, we walk with them in their entrepreneurial journey through our Business and Technical and Advisory Services and we link them to markets. In order to ensure sustainability, we are constantly seeking partners to support our programmes.

#### **2. Environmental Performance**

Kenya Industrial Estates is a responsible corporate citizen committed to the conservation of the environment, prevention of pollution, effective waste management, minimization of consumption of resources and overall environmental degradation in all our business operations.

We recognize environmental protection as one of the guiding principles and a key component of sound business performance. We are committed to providing quality products and services as we promote and embrace the principle of responsible stewardship of the natural environment.

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Kenya Industrial Estates strives to adhere to all applicable environmental regulations. To implement and maintain a structured Environmental Management System based on the continual improvement, we educate and inform all its employees, clients, suppliers and other stakeholders on environmental protection and empower them to participate and contribute to environmental conservation.

The company, in the financial year 2019/20 spearheaded planting of trees in all of its 37 branches spread countrywide. KIE also joined other State Agencies and State departments to participate in a tree planting exercise on May, 2020. An estimated 2,000 indigenous trees were planted in Kibiko block of Ngong Forest. The company also took part in a tree-planting activity at Ngong Hills Forest, Kajiado County where 8,000 indigenous trees were planted. The tree planting exercises underscore our commitment and contribution towards the Greening Kenya Campaign, which aims at attaining a 10% forest cover.

Kenya Industrial Estates is committed to support SMEs to adapt to climate change. We are partnering with Pan-African Climate Alliance to assess the level of SMEs preparedness to mainstream climate change in their operations and to enable SMEs transition to low-carbon, climate resilient green development. A survey has been done to assess the level of preparedness of SMEs to transition to low carbon climate resilient, green economic development.

### **3. Employee Welfare**

The company is committed to nurturing talent to bring the best out of each employee. Employees are the most important asset for the company and form the base upon which the company delivers services to the public. On recruitment, we are guided by the Constitution, labour laws, our Human Resource manual and best practice. To maintain and attract talent, we continue to ensure a conducive working environment.

#### **Gender Equality**

The company is committed to provide equal opportunity for all genders and promote diversity at all levels of management. The gender-disaggregated ratio for the period was 53% Male and 47% Female. Because our desire to promote inclusivity, we were award as first runners-up in the category of Diversity and Inclusion inclusive Parastatals in The National Diversity & Inclusion Award 2019.

#### **Capacity Building**

On Capacity Building, we systematically enhance our staff skills to address career progression of individual employees and improve institutional performance. During the period, the company carried staff training needs assessment and executed interventions to address the identified needs.

#### **Performance Measurement and Reward**

The company employs performance measurement and reward system to ensure productivity. We measure each employee's performance based on the pre-negotiated and agreed performance targets drawn from the company's annual work plan.

#### **Employee Engagement**

Having engaged employees is critical to the achievement our strategic goals. We have undertaken to take on board all our employees' views. To ensure this materializes, employees are encouraged to give

## **Kenya Industrial Estates Limited**

### **Reports and Financial Statements**

#### **For the year ended June 30, 2020**

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their views openly. During the period, the Managing Director personally engaged employees directly through the Managing Director's cup of tea, branch visits and meeting of all managers.

#### **Occupational Safety and Health**

The Company continues to ensure implementation of Occupational safety and Health Act, 2007. We undertook Continuous monitoring of work environment based on regular risk assessment and conducted safety training to staff to ensure adherence to safety precautions.

#### **4. Market Place Practises**

Kenya Industrial Estates conducts its businesses in a responsible and ethical manner and strives to follow these general principles; Honesty, Fairness, Respect for customers, suppliers, employees, and competitors. KIE through its zero tolerance to corruption promotes transparency and integrity in all its operations.

The organization ensures responsible competition practice by all suppliers in line with Public Procurement Act to undergo a rigorous process of assessment of their social, environmental and ethical performance that increases reliability of the supply chain, conserves our planet's natural resources, and protects the people who work for and with us. At KIE, we believe that what we do and how we do it are equally important which is why we've put responsible, sustainable sourcing practices into place, guided by the procurement act, throughout our supply chain and made them an integral part of our strategy.

Kenya Industrial Estates seeks to promote marginalized groups (Women, Youth and Persons living with Disabilities) to access Government Procurement opportunities. In the period, KIE trained 59 youth, women and persons living with disabilities (PWD) on accessing government procurement opportunities out of which 28 youths, 13 women and 1 PWD benefited from procurement opportunities. KIE also Promotes Buy Kenya Build Kenya initiative through its procurement process and committed 40% of its procurement budget to this endeavor.

In marketing and communications, KIE is committed to responsible advertising in compliance with the existing laws and national and regional standards. KIE ensures that its marketing communications are legal, decent, honest, and truthful, with claims having a sound scientific basis. We are committed to promoting our products in a socially acceptable manner. At the heart of our marketing is safeguarding consumer rights and interests.

#### **5. Community Engagements**

At Kenya Industrial Estates, we are committed to integrating responsible business practices into all our activities, not just with words and statements, but also with action and deeds. With our Corporate Social Responsibility (CSR) commitment, we aim to positively impact the workplace, the marketplace, the environment and the community. In the financial year 2019/20, KIE organized financial literacy programs targeting women entrepreneurs in Nairobi, Kisumu and Nakuru. As part of KIE's outreach program on entrepreneurship training and financial literacy, KIE conducted a successful capacity building for BodaBoda operators in Ndhiwa Constituency of Homabay County and Kigumo Constituency in Murang'a County.

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The company also participated in the Mater Heart Run 2020 to fundraise for heart surgeries targeting children from disadvantaged backgrounds. KIE also donated sanitizers, soaps and facemask to Association of SMEs in Industrial Area, Nairobi as part of the company's contribution to mitigate the spread of Covid -19.

**Kenya Industrial Estates Limited**

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**10. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the company's affairs.

**Principal activities**

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

**Results**

The results of the company for the year ended June 30, 2020 are set out on page 38.

**Dividends**

The Directors do not recommend dividends.

**Directors**

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

**Auditors**

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

By Order of the Board



Charity Ndeke  
Acting Manager, Legal  
Nairobi

Date 24/5/2021

## **11. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

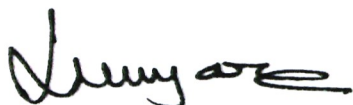
The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2020. These responsibilities include: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (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 Company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2020, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

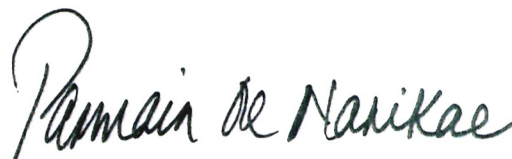
Nothing has come to the attention of the Directors to indicate that the entity will not remain a going concern for at least the next twelve months from the date of this statement.

### **Approval of the financial statements**

The Kenya Industrial Estates Ltd financial statements were approved by the Board on 24/5/2021 2021 and signed on its behalf by:

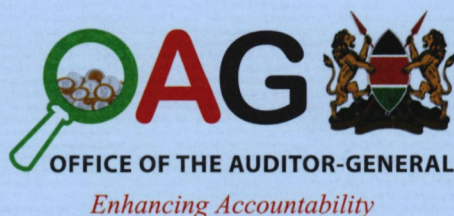


Chairperson of the Board



Managing Director

# REPUBLIC OF KENYA



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HEADQUARTERS  
Anniversary Towers  
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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON KENYA INDUSTRIAL ESTATES LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kenya Industrial Estates Limited set out on pages 37 to 80, which comprise the statement of financial position as at 30 June, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Industrial Estates Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

##### 1.0 Trade and Other Receivables

The statement of financial position reflects a balance of Kshs.53,159,000 for trade and other receivables which as disclosed under Note 19(a) to the financial statements comprised gross receivables of Kshs.193,063,000 net of provision for bad and doubtful receivables of Kshs.139,904,000 or 72%. The balance also included staff receivables of Kshs.3,925,000 of which Kshs.2,527,670 related to advances and imprests for staff members who have since left the Company. Although the Management explained that the most appropriate action would be taken to avoid retaining the debts in the Company's books for a long time, some for more than fifteen (15) years, it could not be confirmed that the trade and other receivables balance of Kshs.53,159,000 as at 30 June, 2020 was fairly stated.

##### 2.0 Corporation Tax Arrears

As disclosed under Note 29(c) to the financial statements, the Company had a contingent liability of Kshs.140,200,000 being interest and penalties on tax arrears for unpaid corporation tax for the period 1994 to 2014. The Company had paid the principal taxes and was in discussions with Kenya Revenue Authority for waiver of interest and

penalties. However, until the issue is resolved, the Kshs.140,200,000 remains unsettled and is likely to attract further interest and penalties.

### **3.0 Long Outstanding Payables**

The statement of financial position reflects a balance of Kshs.107,330,000 under trade and other payables which as reflected at Note 24 to the financial statements included an amount of Kshs.98,082,000 for other payables of which Kshs.35,522,112 had been outstanding for more than one-hundred and twenty (120) days.

Failure to settle financial obligations as they fall due may attract penalties and interest and cause reputational damage to the Company.

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

#### **Key Audit Matters**

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

#### **Other Matter**

#### **Unresolved Prior Year Audit Matters**

As disclosed under the progress on follow up of auditor recommendations section of the financial statements, some of the prior year audit issues remained unresolved as at 30 June, 2020. The Management has not provided satisfactory reasons for the delay in resolving the issues.

#### **Other Information**

The Directors are responsible for the other information. The other information comprises the Company's information, corporate governance and the report of Board of Directors as required by the Companies Act, 2015. The other information does not include the financial statements and the auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon. In connection with my audit of the Company's financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- (ii) In my opinion, adequate accounting records have been kept by the Company so as appears from the examination of those records; and,
- (iii) The Company's financial statements are in agreement with the accounting records and returns.

### **Responsibilities of Management and the Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for

maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or cease operations.

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and

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


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

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

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

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

02 February, 2022

**Kenya Industrial Estates Limited****Reports and Financial Statements****For the year ended June 30, 2020****13. STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

	Note	2020 Kshs'000	2019 Kshs'000
<b>REVENUES</b>			
Revenue	1	131,230	123,947
Cost of sales	2	-	-
Gross profit		<u>131,230</u>	<u>123,947</u>
Grants from National Government	3	278,936	245,284
Interest Income	4	19,545	3,988
Other Income	5	33,448	20,686
<b>TOTAL REVENUES</b>		<u><b>463,159</b></u>	<u><b>393,905</b></u>
<b>OPERATING EXPENSES</b>			
Administration Costs	6	454,209	487,456
<b>TOTAL OPERATING EXPENSES</b>		<u><b>454,209</b></u>	<u><b>487,456</b></u>
<b>PROFIT/LOSS BEFORE TAXATION</b>	8	<b>8,950</b>	<b>(93,551)</b>
Less Taxation (Tax Charge)	9	2,639	1,987
<b>PROFIT/LOSS AFTER TAXATION</b>		<u><b>6,311</b></u>	<u><b>(95,538)</b></u>
Earnings per share – basic and diluted	10	<u>2</u>	<u>(24)</u>
Dividend per share	11	<u>-</u>	<u>-</u>


**Kenya Industrial Estates Limited**


**Reports and Financial Statements  
For the year ended June 30, 2020**

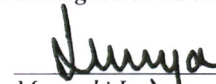
**14. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE, 2020**

	Note	2020 Kshs'000	2019 Kshs'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	12	861,326	829,270
Leasehold Land	13	498,072	502,988
Intangible assets	14	10,171	14,984
Investment property	15	998,585	996,718
Unquoted investments	16	-	-
Staff receivables due after one year	19(b)	15,596	14,767
Loans	17	952,265	596,071
<b>Total Non-Current Assets</b>		<b>3,336,015</b>	<b>2,954,798</b>
<b>Current Assets</b>			
Inventories	18	5,410	15,134
Trade and other receivables	19(a)	53,159	26,412
Bank and cash balances	20	1,104,221	291,785
<b>Total Current Assets</b>		<b>1,162,790</b>	<b>333,331</b>
<b>Total Assets</b>		<b>4,498,805</b>	<b>3,288,129</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	21	80,277	80,277
Capital Reserves	22	4,055,238	2,828,964
<b>Capital and Reserves</b>		<b>4,135,515</b>	<b>2,909,241</b>
<b>Non-Current Liabilities</b>			
Deferred Tax Liability	30	35,528	35,635
<b>Total Non-Current Liabilities</b>		<b>35,528</b>	<b>35,635</b>
<b>Current Liabilities</b>			
Borrowings	23	218,518	218,518
Trade and other payables	24	107,330	122,735
Provision for leave pay	26	1,914	2,000
<b>Total Current Liabilities</b>		<b>327,762</b>	<b>343,253</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,498,805</b>	<b>3,288,129</b>

The financial statements were approved by the Board on 24/5/2021 2021 and signed on its behalf by:

  
DR. Parmain ole Narikae  
Managing Director

  
CPA Charles M. Mativo  
Finance Manager  
ICPAK No.3736

  
Mugambi Imanyara  
Board Chairman

*Kenya Industrial Estates Limited*

**Reports and Financial Statements  
For the year ended June 30, 2020**

**15. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**  
**Kshs'000**

	Ordinary share capital	Capital Reserve	Disposal of Sheds	GOK Irredeemable Loans	Revaluation reserve	Gok Loan write off	Grants	Retained earnings	Total
<b>At July 1, 2018</b>	80,277	22,523	68,637	190,257	838,405	-	3,631,659	(3,111,014)	1,720,744
Government grant							300,000		300,000
GOK loan write off						1,210,000			1,210,000
Transfer to Retained Profit								(225,965)	(225,965)
Total comprehensive Loss								(95,538)	(95,538)
<b>At June 30, 2019</b>	<b>80,277</b>	<b>22,523</b>	<b>68,637</b>	<b>190,257</b>	<b>838,405</b>	<b>1,210,000</b>	<b>3,931,659</b>	<b>(3,432,517)</b>	<b>2,909,241</b>
<b>At July 1, 2019</b>	80,277	22,523	68,637	190,257	838,405	1,210,000	3,931,659	(3,432,517)	2,909,241
Government grant							1,200,000		1,200,000
Transfer of amortization from capital fund to retained earnings									
Prior year adjustments (Note 36)									
Transfer to Retained profit (Loss)								19,963	19,963
								6,311	6,311
<b>At June 30, 2020</b>	<b>80,277</b>	<b>22,523</b>	<b>68,637</b>	<b>190,257</b>	<b>838,405</b>	<b>1,210,000</b>	<b>5,131,659</b>	<b>(3,406,243)</b>	<b>4,135,515</b>

*Kenya Industrial Estates Limited*

**Reports and Financial Statements  
For the year ended June 30, 2020**

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**16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2020**

	Note	2020 Kshs'000	2019 Kshs'000
<b>OPERATING ACTIVITIES</b>			
Cash generated from / (used in) operations	27(a)	(337,988)	(57,803)
Interest received	4	19,545	3,988
<b>Net cash generated from/ (used in) operating activities</b>		<b>(318,443)</b>	<b>(53,815)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	12	(69,121)	(79,743)
<b>Net cash generated from/ (used in) investing activities</b>		<b>(69,121)</b>	<b>(79,743)</b>
<b>FINANCING ACTIVITIES</b>			
GOK Development Grant		1,200,000	300,000
Repayment of borrowings	23(a)	-	(10,000)
<b>Net cash generated from/ (used in) financing activities</b>		<b>1,200,000</b>	<b>290,000</b>
<b>INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>812,436</b>	<b>156,442</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	27(b)	<b>291,785</b>	<b>135,343</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	27(b)	<b>1,104,221</b>	<b>291,785</b>

Note: Disclosure on changes in Financing Cash flow is on note 27(c)

**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR  
THE PERIOD ENDED 30<sup>TH</sup> JUNE, 2020**

	Original budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	Percentage (%) variance	Explanation on material variances
	2019-2020		2019-2020	2019-2020			
	Shs'000'	Shs'000'	Shs'000'	Shs'000'	Shs'000'		
<b>Revenue</b>							
Interest Income	69,100	-	69,100	70,315	1,215	2%	
Grant from National Government	278,936	-	278,936	278,936	-	0%	
Rent Income	56,425	-	56,425	60,915	4,490	8%	
Other Income	13,287	-	13,287	33,448	20,161	152%	(a)
Finance Income	3,988	-	3,988	19,545	15,557	390%	(b)
<b>Total income</b>	<b>421,736</b>	<b>-</b>	<b>421,736</b>	<b>463,159</b>	<b>41,423</b>	<b>9%</b>	
<b>Expenses</b>							
Compensation to Employees	279,251	-	279,251	276,500	2,751	1%	
Use of Goods and Services	87,579	-	87,579	104,815	(17,236)	-20%	(c)
Rent Paid	5,000	-	5,000	4,189	811	16%	(d)
Amortization and Depreciation	30,406	-	30,406	44,927	(14,521)	-48%	(e)
Provision write off	-	-	-	7,370	(7,370)	0%	
<b>Total Expenditure</b>	<b>421,736</b>	<b>-</b>	<b>421,736</b>	<b>456,848</b>	<b>(35,112)</b>	<b>-8%</b>	
<b>Net Profit / Loss for the Period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,311</b>	<b>6,311</b>	<b>0%</b>	

**EXPLANATORY NOTES TO MAJOR VARIANCES**

- (a) Other Income-: This was a result of the increased disbursement funds in the course of the year. The Budget for other incomes was based on a lower Government grant even as the organization continued pursuing additional funds which were provided thus increasing the company's income components such as commissions and charges and, Business Advisory Services (BAS).
- (b) Finance Income-: The budget for finance Income was based on the previous year's attainment which was based on a lower budget compared to the current year. However, due to the increased budget allocation there was an improvement on the finance income.

**Kenya Industrial Estates Limited**

**Reports and Financial Statements**

**For the year ended June 30, 2020**

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- (c) Use of Goods and services-: The variance in the use of Goods and Services was as a result of increased activities due to additional funds provided for Credit disbursement. There was a resultant increase in the Administration expenses relating to lending activities such as travelling and other related expenses as our staff moved to appraise the projects. The company disbursed Kshs 638.5Million in the year and committed a further Kshs 584.5 Million making a total of Kshs 1.223 Billion loans processed within the year. Additionally, there were unforeseen expenses relating to measures taken to protect staff and customers following the outbreak of the Covid-19 virus pandemic.
- (d) Rent paid -: There were plans to open more conducive offices for the Thika and Kiambu Branches.
- (e) Amortization & Depreciation – This was as a result of depreciation on assets that were received in the course of the year

## **18. NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

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

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

### **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Kenya Industrial Estates Ltd accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 5-(I-VI).

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

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

### **3. APPLICATION OF NEW AND REVISED INTERNATIONAL REPORTING STANDARDS (IFRS)**

#### **i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020**

##### ***IFRS 16: Leases***

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. Based on the Directors' assessment the impact of the standard is not significant and its application will be implemented in the organizations Financial statements in the annual period beginning 1<sup>st</sup> July, 2019.

***Amendments to IAS 1 and IAS 8. Definition of material***

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been include as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

According to the Directors assessment, the amendment to IAS 1 and IAS 8 has no impact on the Financial Statements of the Company.

**ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020**

***IFRS 17 Insurance Contracts (Issued 18 May 2017)***

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

***Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018-Applicable for annual periods beginning 1 January 2020)***

Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

iii) Early adoption of Standards.

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue Recognition**

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

- i) **Revenue from the sale of goods and services** is recognised in the year in which the Company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognised in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Capital grants received and are meant for capital projects are amortized and recognized as grants income in the Statement of Comprehensive Income. The amortized amount is transferred from GOK capital fund to retained earnings under the Statement of Changes in Equity each year. This is in line with IAS 20. Also, the Development/ Capital grants are recognized in the statement of financial position
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognised in the income statement as it accrues using the effective lease agreements.
- vi) **Other income** is recognised as it accrues.

**b) Property, Plant and Equipment**

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

## Kenya Industrial Estates Limited

### Reports and Financial Statements

For the year ended June 30, 2020

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#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

#### c) Depreciation and Impairment of Property, Plant and Equipment

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

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

The annual rates in use are:

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

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

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

#### e) Intangible Assets

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**f) Amortisation and Impairment of Intangible Assets**

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

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

**g) Investment Property**

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

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

**h) Unquoted Investments**

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

**i) Inventories**

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

**j) Trade and Other Receivables**

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

**k) Taxation**

***Current Income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognised directly in net assets is recognised in net assets and not in the financial performance.

***Deferred Tax***

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

**l) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at various commercial banks at the end of the financial year.

**m) Borrowings**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**n) Trade and Other Payables**

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

**o) Retirement Benefit Obligations**

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

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

**p) Provision for Staff Leave Pay**

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

**q) Exchange Rate Differences**

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

**r) Budget Information**

The original budget for FY 2019-2020 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and

actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

**s) Comparative Figures**

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

**t) Subsequent Events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020

**u) Provision for Bad and Doubtful Debts**

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

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

**5. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

**Critical Accounting Estimates and Judgements**

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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key area of judgement in applying the entities accounting policies is dealt with below:

**I. 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.

**II. Provision for Ex-staff Imprests and Advances**

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

**III. Impairment Losses on Loans and Advances**

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

Subjective judgements are made in this process of cash flow determination both in value and timing and may vary from one person to another. Judgements may also change with time as new information becomes available.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**I. Income Taxes**

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

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

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

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

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

**Kenya Industrial Estates Limited**

**Reports and Financial Statements**

**For the year ended June 30, 2020**

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

New information may become available that causes the company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

**I. Property, Plant and Equipment**

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

**II. Going Concern**

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

**III. Related Parties**

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

**Kenya Industrial Estates Limited**

**Reports and Financial Statements  
For the year ended June 30, 2020**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

	2020 Kshs'000	2019 Kshs'000
<b>1. REVENUE</b>		
Interest income from loans	70,315	67,522
Rent income	72,075	67,173
Less: VAT on rent	(11,160)	(10,748)
	<u>131,230</u>	<u>123,947</u>
	=====	=====

**2. COST OF SALES**

There are no direct costs that are associated with revenue on interest income as money is received from National Treasury through the Parent Ministry for onward issuing to loan borrowers.

**3. GRANTS FROM NATIONAL GOVERNMENT**

Recurrent grants received	278,936	245,284
Capital grants realised	-	-
	<u>278,936</u>	<u>245,284</u>
	=====	=====

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income Ksh'000	Amount deferred under deferred income Kshs'000	Amount recognised in capital fund Kshs'000	Total grant income during the year Kshs;000	2018-2019 Kshs'000
State Department of Investment and Industry	278,936			278,936	245,284
<b>Total</b>	<b>278,936</b>			<b>278,936</b>	<b>245,284</b>

**4. INTEREST INCOME**

Interest from commercial banks	19,545	3,988
	<u>19,545</u>	<u>3,988</u>
	=====	=====

**Kenya Industrial Estates Limited****Reports and Financial Statements  
For the year ended June 30, 2020****NOTES TO FINANCIAL STATEMENTS (Continued)**

	2020 Kshs'000	2019 Kshs'000
<b>5. OTHER INCOME</b>		
Commissions & charges	20,060	13,031
Sale of tender documents	19	6
Business Development Services Income	4,731	2,060
Miscellaneous receipts	<u>8,638</u>	<u>5,589</u>
	<u>33,448</u>	<u>20,686</u>
<b>6. ADMINISTRATION COSTS</b>		
Staff costs (Note 6a)	276,500	280,035
Directors' emoluments (Note 6b)	12,861	16,488
Electricity and water	2,420	3,551
Communication services and supplies	14,383	12,347
Transportation, travelling and subsistence	24,777	27,440
Advertising, printing, stationery and photocopying	17,168	19,402
Rent and Rates expenses	4,189	5,973
Hospitality supplies and services	9	35
Insurance costs	10,770	12,026
Bank charges and commissions	1,718	1,508
Office and general supplies and services	7,631	8,040
Auditors' remuneration	696	696
Legal fees	6,643	674
Consultancy fees	1,419	6,370
Repairs and maintenance	1,681	1,781
Other operating expenses	19,047	18,564
Depreciation & Amortization (Note 12-14)	44,927	32,370
Prov. for bad and doubtful debts/write backs (Note 7)	<u>7,370</u>	<u>40,156</u>
	<u>454,209</u>	<u>487,456</u>
<b>6(a) STAFF COSTS</b>		
Salaries and allowances of permanent employees	217,035	216,076
Staff Training Expenses	5,272	11,223
Medical Expenses	29,111	26,811
Staff Welfare	1,504	2,054
Wages of temporary employees	2,408	2,548
Compulsory national social security schemes	543	545
Other pension contributions	19,139	19,290
Leave pay and Gratuity provisions	<u>1,488</u>	<u>1,488</u>
	<u>276,500</u>	<u>280,035</u>

**Kenya Industrial Estates Limited**

**Reports and Financial Statements  
For the year ended June 30, 2020**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2020	2019
<b>The average number of employees at the end of the year was:</b>		
Permanent employees – Management	20	24
Permanent employees – Technical and Support Staff	200	208
Temporary and contract employees	2	2
	<u>222</u>	<u>234</u>
	=====	=====
	Kshs'000	Kshs'000
<b>6(b) DIRECTORS EMOLUMENTS</b>		
Sitting Allowances	4,701	5,546
Honoraria	907	722
Other Allowances	7,253	10,220
	<u>12,861</u>	<u>16,488</u>
	=====	=====

**7. PROVISION FOR BAD DEBTS**

Provision for bad debts Write off	(7,370)	(40,156)
	<u>(7,370)</u>	<u>(40,156)</u>
	=====	=====

Type of provisions	Loans	Mortgages	Leave provision	Staff provision	Rent	write off/back	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
General provision	(3,036)	-	-	-	-	-	(3,036)
Specific provision	(3,597)	137	-	-	-	-	(3,460)
Write back/off/backs	-	-	86	(357)	(4,928)	4,325	(874)
<b>Total Provision</b>	<b>(6,633)</b>	<b>137</b>	<b>86</b>	<b>(357)</b>	<b>(4,928)</b>	<b>4,325</b>	<b>(7,370)</b>

**Kenya Industrial Estates Limited****Reports and Financial Statements  
For the year ended June 30, 2020****NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2020 Kshs'000	2019 Kshs'000
<b>8. OPERATING PROFIT / (LOSS)</b>		
The operating profit / (loss) is arrived at, after charging/ (crediting):		
Staff costs (note 6b)	276,500	280,035
Amortization and Depreciation	44,927	32,370
Directors' emoluments	12,861	16,488
Provision for bad and doubtful debts	7,370	40,156
Auditors' remuneration - current year fees	696	696
Interest receivable	(70,315)	(67,522)
Rent receivable	(60,915)	(56,425)
	<u>211,124</u>	<u>245,798</u>
	=====	=====
<b>9. TAXATION</b>		
Current Tax	2,746	566
Deferred Tax Credit/ Charge	(107)	1,421
	<u>2,639</u>	<u>1,987</u>
	=====	=====
The tax on the company's (loss) before tax differs from the theoretical amount that would arise using the basic rate as follows:		
Profit / Loss before Tax	<u>8,950</u>	<u>(93,551)</u>
Tax calculated at rate of 25% (2019: 30%)	2,238	(28,065)
Tax effect of:		
- Income not subject to tax	(-)	(-)
Tax losses carried forward	(2,344)	29,486
	<u>(107)</u>	<u>1,421</u>
	=====	=====
<b>10. EARNINGS PER SHARE</b>		
The earnings per share is calculated by dividing the profit after tax of Kshs. 6,311,000 (2019: Kshs. (95,538,000)) by the average number of ordinary shares in issue during the year of 4,013,865 (2019: 4,013,865). There were not dilutive or potentially dilutive ordinary share as at the reporting date.		
<b>11. DIVIDEND PER SHARE</b>		
Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2020, no dividend in respect of the year ended June 30, 2020 shall be proposed just like year 2019 when no dividend was proposed.		

*Kenya Industrial Estates Limited*

**Reports and Financial Statements  
For the year ended June 30, 2020**

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

2020	Buildings & civil works	Office equipment	Motor vehicles, including, motor cycles	Computers & related equipment	furniture & fittings	Capital work in progress	TOTAL
<b>COST OR VALUATION</b>							
At July 1, 2019	470,829	52,671	100,175	41,417	52,174	342,159	1,059,425
Additions	-	3,449	33,129	9,834	6,911	15,798	69,121
Adjustments	-	-	-	-	-	(1,867)	(1,867)
<b>At June 30, 2020</b>	<b>470,829</b>	<b>56,120</b>	<b>133,304</b>	<b>51,251</b>	<b>59,085</b>	<b>356,090</b>	<b>1,126,679</b>
<b>DEPRECIATION</b>							
At July 1, 2019	86,402	26,847	61,750	31,032	24,124	-	230,155
Charge for the year	14,423	6,285	7,685	1,681	5,124	-	35,198
<b>At June 30, 2020</b>	<b>100,825</b>	<b>33,132</b>	<b>69,435</b>	<b>32,713</b>	<b>29,248</b>	<b>-</b>	<b>265,353</b>
<b>NET BOOK VALUES</b>							
<b>At June 30, 2020</b>	<b>370,004</b>	<b>22,988</b>	<b>63,869</b>	<b>18,538</b>	<b>29,837</b>	<b>356,090</b>	<b>861,326</b>

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

	Cost or Valuation	Normal Annual depreciation charge
Office equipment	-	12.5%
Motor vehicles, including motor cycles	61,750	20%
Computers and related equipment	39,633	20%
Furniture and fittings	-	10%
	<u>101,383</u>	<u>-</u>

**Depreciation on Motor Vehicles**

The company acquired ten motor vehicles which were delivered after the 2019/2020 Financial year end. No depreciation charge was recognized in the Financial Statements for year 2019/2020 on the motor vehicles.

**Kenya Industrial Estates Limited**

**Reports and Financial Statements  
For the year ended June 30, 2020**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

2019	Buildings & civil works	Office equipment	Motor vehicles, including, motor cycles	Computers & related equipment	furniture & fittings	Capital work in progress	TOTAL
<b>COST OR VALUATION</b>							
At July 1, 2018	470,829	52,606	61,750	41,417	51,224	293,709	971,535
Additions	-	65	38,425	-	950	52,264	91,704
Disposals	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	(3,814)	(3,814)
<b>At June 30, 2019</b>	<b>470,829</b>	<b>52,671</b>	<b>100,175</b>	<b>41,417</b>	<b>52,174</b>	<b>342,159</b>	<b>1,059,425</b>
<b>DEPRECIATION</b>							
At July 1, 2018	71,876	21,857	61,750	30,930	20,611	-	207,024
Charge for the year	14,526	4,990	-	102	3,513	-	23,131
Elimination on disposal	-	-	-	-	-	-	-
<b>At June 30, 2019</b>	<b>86,402</b>	<b>26,847</b>	<b>61,750</b>	<b>31,032</b>	<b>24,124</b>	<b>-</b>	<b>230,155</b>
<b>NET BOOK VALUES</b>							
<b>At June 30, 2019</b>	<b>384,427</b>	<b>25,824</b>	<b>38,425</b>	<b>10,385</b>	<b>28,050</b>	<b>342,159</b>	<b>829,270</b>

**12. PROPERTY, PLANT AND EQUIPMENT Kshs'000**

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

	Cost or Valuation	Normal Annual depreciation charge
Office equipment	-	12.5%
Motor vehicles, including motor cycles	61,750	20%
Computers and related equipment	39,633	20%
Furniture and fittings	-	10%
	<u>101,383</u>	<u>-</u>

**Depreciation on Motor Vehicles**  
The company acquired six motor vehicles which were delivered after the 2018/2019 Financial year end. No depreciation charge was recognized in the Financial Statements for year 2018/2019 on the motor vehicles.

*Kenya Industrial Estates Limited*

**Reports and Financial Statements  
For the year ended June 30, 2020**

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2020 Kshs'000	2019 Kshs'000
<b>13. LEASEHOLD LAND</b>		
<b>COST</b>		
At July 1	537,335	537,335
Elimination	-	-
Revaluation	-	-
Additions	-	-
Adjustments	-	-
At June 30	<u>537,335</u>	<u>537,335</u>
<b>AMORTISATION</b>		
At July 1	34,347	29,158
Elimination	-	-
Charge for the year	4,916	5,189
Disposals	-	-
Impairment loss	-	-
At June 30	<u>39,263</u>	<u>34,347</u>
<b>NET BOOK VALUE</b>		
At June 30	<u>498,072</u>	<u>502,988</u>
<b>14. INTANGIBLE ASSETS</b>		
<b>COST</b>		
At July 1	48,126	48,126
Additions	-	-
Disposals	-	-
At June 30	<u>48,126</u>	<u>48,126</u>
<b>AMORTISATION</b>		
At July 1	33,142	29,092
Charge for the year	4,813	4,050
Disposals	-	-
Depreciation Adjustment	-	-
At June 30	<u>37,955</u>	<u>33,142</u>
<b>NET BOOK VALUE</b>		
At June 30	<u>10,171</u>	<u>14,984</u>

**Kenya Industrial Estates Limited**

**Reports and Financial Statements  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2020 Kshs'000	2019 Kshs'000
<b>15. INVESTMENT PROPERTY</b>		
Opening valuation	996,718	1,004,865
<b>Movements during the year</b>		
Transfer from WIP	-	-
Additions	-	-
Adjustments	1,867	(8,147)
Disposal	-	-
Fair value gains/ (Losses)	-	-
Closing valuation	<u>998,585</u>	<u>996,718</u>
<b>AMORTISATION</b>		
At July 1	-	-
Charge for the year	-	-
Disposals	-	-
Impairment loss	-	-
At June 30	<u>998,585</u>	<u>996,718</u>
<b>NET BOOK VALUE</b>		
At June 30	<u>998,585</u>	<u>996,718</u>

**16. UNQUOTED INVESTMENTS**

	Level 1 Kshs '000	Level 2 Kshs '000	Level 3 Kshs '000	Total Kshs '000
<b>At 30 June 2020:</b>				
Investment in shares – Available-for-sale	-	11,200	-	-
Less Provisions	-	<u>(11,200)</u>	-	-
<b>Investment at the End of the year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>At 30 June 2019:</b>				
Investment in shares – Available-for-sale	-	11,200	-	-
Less Provisions	-	<u>(11,200)</u>	-	-
<b>Investment at the End of the year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	2020 Kshs'000	2019 Kshs'000
<b>17. LOANS</b>		
Loan gross	1,102,558	778,918
Interest suspended	(123,406)	(160,836)
Specific provision	(19,053)	(16,953)
General provision	(7,834)	(5,058)
Net loan balance	<u>952,265</u>	<u>596,071</u>

**Kenya Industrial Estates Limited**

**Reports and Financial Statements**

**For the year ended June 30, 2020**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2020 Kshs'000	2019 Kshs'000
<b>18. INVENTORIES</b>		
Stationery and general stores	5,574	15,298
Less obsolete stock	(164)	(164)
	<u>5,410</u>	<u>15,134</u>
	=====	=====
<b>19 (a) TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	189,138	156,410
Deposits and prepayments	-	-
Staff receivable (note 21 (c (i)))	3,925	4,649
Other receivables	-	-
	<u>193,063</u>	<u>161,059</u>
Gross trade and other receivables	193,063	161,059
Provision for bad and doubtful receivables	(139,904)	(134,647)
	<u>53,159</u>	<u>26,412</u>
	=====	=====
Net trade and other receivables	53,159	26,412
	=====	=====
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	19,210	2,014
Between 31 and 60 days	535	1,339
Between 61 and 90 days	7,645	2,127
Between 91 and 120 days	1,593	756
Over 120 days	164,080	154,823
	<u>193,063</u>	<u>161,059</u>
	=====	=====
<b>19 (b) STAFF RECEIVABLES</b>		
Staff loans	17,425	16,492
Interest suspended	(507)	(399)
Specific provision	(1,162)	(1,166)
General provision	(160)	(160)
	<u>15,596</u>	<u>14,767</u>
	=====	=====
<b>19 (c) (i) STAFF RECEIVABLES</b>		
Staff advances and imprest	3,925	4,649
Provision for staff advances and imprest	(2,528)	(2,171)
	<u>1,397</u>	<u>2,478</u>
	=====	=====

**Kenya Industrial Estates Limited**

**Reports and Financial Statements  
For the year ended June 30, 2020**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2020	2019
<b>20 BANK AND CASH BALANCES</b>	<b>Kshs'000</b>	<b>Kshs'000</b>
Cash at bank:		
Standard Chartered Bank	586,155	160,805
Kenya Commercial Bank Ltd	487,906	106,606
National Bank of Kenya	28,837	23,144
Co-operative Bank of Kenya	173	199
M-Pesa	494	493
Cash in hand	656	538
	<u>1,104,221</u>	<u>291,785</u>
	=====	=====

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

**21 ORDINARY SHARE CAPITAL**

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

<b>22 RESERVES</b>	<b>Kshs'000</b>	<b>Kshs'000</b>
Capital Reserves	22,523	22,523
Disposal of sheds	68,637	68,637
GOK Irredeemable Loans	190,257	190,257
Revaluation Reserves	838,405	838,405
Grants	5,131,659	3,931,659
GOK Loan write-off	1,210,000	1,210,000
Retained Earnings	(3,406,243)	(3,432,517)
	<u>4,055,238</u>	<u>2,828,964</u>
	=====	=====

**CAPITAL RESERVES**

This relates to assets donated to the company by development partners

**DISPOSAL OF SHEDS**

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

## Kenya Industrial Estates Limited

### Reports and Financial Statements

For the year ended June 30, 2020

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

##### GOK IRREDEEMABLE LOANS

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

##### REVALUATION RESERVE

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

##### GRANTS

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

##### RETAINED EARNINGS

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

23	<b>BORROWINGS</b>	Kshs'000	Kshs' 000
	Balance at beginning of the year	218,518	1,438,518
	Interest Accrued	-	-
	Repayments of domestic borrowings during the year	(-)	(10,000)
	GOK Loan write off	(-)	(1,210,000)
	Balance at end of the year	<u>218,518</u>	<u>218,518</u>
	Less: Amounts due within one year (current portion)	(-)	(-)
	Amounts due after one year (non-current portion)	<u>-</u>	<u>-</u>
	The analyses of both external and domestic borrowings are as follows:		
	<b>External Borrowings</b>		
	Dollar denominated loan from 'A'	892,502	892,502
		<u>892,502</u>	<u>892,502</u>
	<b>Domestic Borrowings</b>		
	Kenya Shilling loan from Youth Enterprise Fund	1,709	1,709
	Kenya Shilling loan from Women Enterprise Fund	-	-
	Kenya Shilling loan from GOK	534,307	534,307
		<u>536,016</u>	<u>536,016</u>
		1,428,518	1,438,518
	GOK Loan write-off	<u>(1,210,000)</u>	<u>(1,210,000)</u>
	Total balance at end of year	<u>218,518</u>	<u>218,518</u>

**Kenya Industrial Estates Limited****Reports and Financial Statements  
For the year ended June 30, 2020****NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2020	2019
	Kshs'000	Kshs'000
<b>a) Analysis of changes in Borrowings</b>		
Balance at beginning of the year	218,518	1,438,518
Receipts during the year	-	-
Repayments during the year	(-)	(10,000)
Adjustment of previous year accrued interest	(-)	(-)
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
GOK Loan write off	(-)	(1,210,000)
Balance at end of the year	<u>218,518</u>	<u>218,518</u>
<b>b) Analysis of Interest Paid</b>		
Interest on loans capitalised	-	-
Balance at beginning of the year	-	685,301
Balance at end of the year	(-)	(685,301)
Interest paid	<u>-</u>	<u>-</u>
<b>24 TRADE AND OTHER PAYABLES</b>		
Trade payables	9,248	11,428
Other payables	98,082	111,307
	<u>107,330</u>	<u>122,735</u>

**25 RETIREMENT BENEFIT OBLIGATIONS**

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

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

**Kenya Industrial Estates Limited****Reports and Financial Statements****For the year ended June 30, 2020****NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	2020	2019
<b>26 PROVISION FOR LEAVE PAY</b>	Kshs'000	Kshs'000
Balance at beginning of the year	2,000	5,909
Additional provision at end of year	(86)	(3,909)
Leave paid out or utilised during the year	-	-
Balance at end of the year	<u>1,914</u>	<u>2,000</u>

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

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

	Kshs'000	Kshs'000
Operating Profit / (Loss)	8,950	(93,551)
Depreciation and Amortization	44,927	32,370
Rent Income	(60,915)	(56,425)
Other Income	(33,448)	(20,686)
Interest Income	(70,315)	(67,522)
Provisions	7,370	40,156
Interest Received	(19,545)	(3,988)
Operating Profit/ (Loss) Before Working Capital Changes	<u>(122,976)</u>	<u>(169,646)</u>
Increase in Inventories	9,724	(9,004)
Increase in trade and other Receivables	(26,747)	96,575
Decrease in trade and other Payables	(15,405)	1,660
Decrease in Provision for Staff Leave Pay	(86)	(3,909)
Advances to Customers	(602,452)	(326,860)
Collection from Loans, Rent, Mortgage & Other Income	419,954	353,381
Cash Generated from/ (used in) Operations	<u>(337,988)</u>	<u>(57,803)</u>

**b) Analysis of Cash and Cash Equivalents**

Cash at bank	1,103,565	291,247
Cash in hand	656	538
Balance at end of the year	<u>1,104,221</u>	<u>291,785</u>

## Kenya Industrial Estates Limited

### Reports and Financial Statements

For the year ended June 30, 2020

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

##### c) Disclosure on changes in Financing Cash flow: -

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

#### 28 RELATED PARTY DISCLOSURES

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

The company is related to:

- Government of Kenya
- Board of Directors

##### (a) Government of Kenya

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

	2020	2019
	Kshs'000	Kshs'000
GOK Transfers	<u>1,478,936</u>	<u>545,284</u>

##### (b) Directors Remuneration

	2020	2019
	Kshs'000	Kshs'000
Directors	<u>12,861</u>	<u>16,488</u>

##### (c) Management Compensation

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

	2020	2019
	Kshs'000	Kshs'000
Compensation to the Directors	12,861	16,488
Compensation to the CEO	5,400	5,400
Compensation to key management	<u>29,752</u>	<u>29,640</u>
	<u>48,013</u>	<u>51,528</u>

**Kenya Industrial Estates Limited**

**Reports and Financial Statements  
For the year ended June 30, 2020**

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**(d) Loans to Key Management**

Car Loans	<u>1,246</u>	<u>1,642</u>
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**29 CONTINGENT LIABILITIES**

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

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

**b) Land and Buildings**

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

**c) Corporation Tax**

The company has an outstanding tax liability amounting to Kshs.140.2 Million. The liability is interest and penalties on tax arrears for the period 1994 to 2014. The company has paid the principal tax and has applied to Kenya Revenue Authority for the waiver of the interest and penalties which have accumulated to the current amount. The matter is under consideration by KRA.

## Kenya Industrial Estates Limited

### Reports and Financial Statements For the year ended June 30, 2020

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 30 Deferred Taxation

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

	2020 Kshs'000	2019 Kshs'000
At start of year	35,635	34,214
Charge to profit or loss (Note 9)	(107)	1,421
At end of year	<u>35,528</u>	<u>35,635</u>

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

	At start of year Ksh'000	Charge/ (credit) Ksh'000	At end of year Ksh'000
<b>Deferred Tax Liabilities</b>			
Property, Plant & Equipment	33,635	(22)	33,614
Provisions-Leave & Bad debts	<u>2,000</u>	<u>(86)</u>	1,914
Net Deferred Tax Liability	<u>35,635</u>	<u>(107)</u>	<u>35,528</u>
<b>Deferred Tax (Assets)</b>			
Tax losses carried forward	(-)	0	0
Net Deferred Tax Liability	<u>35,635</u>	<u>(107)</u>	<u>35,528</u>

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

#### 31 GRANTS

	2020 Kshs'000	2019 Kshs'000
Norwegian grant	146,039	146,039
EEC grant	1,857	1,857
GTZ grant for ISL	17,594	17,593
GTZ Rep. Financing grant	4,385	4,385
KFW grant for ISL loans	72,943	72,943
GTZ co-operation fund	3,705	3,705
GOK grant	4,867,170	3,667,170
UNDP grant	6,766	6,766
EEC grant	11,200	11,200
GOK Loan write-off	1,210,000	1,210,000
	<u>6,341,659</u>	<u>5,141,659</u>

#### 32 INCOPORATION

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 PROVISION FOR BAD AND DOUBTFUL DEBTS

The provision for bad debts includes provision on loans and mortgages made in the year and write backs on loans which were previously provided and were recovered in the year. Write offs during the year amounted to Ksh.388.0 Million.

34 CAPITAL RISK MANAGEMENT

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

The entity's capital structure comprises of the following funds:

	2019-2020	2018-2019
	Kshs'000	Kshs'000
Ordinary share capital	80,277	80,277
Capital reserve	22,523	22,523
Disposal of sheds	68,637	68,637
GOK Irredeemable loans	190,257	190,257
Revaluation reserves	838,405	838,405
Retained earnings	(3,406,243)	(3,432,517)
<b>Total funds</b>	<b>(2,206,144)</b>	<b>(2,232,418)</b>
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

35 FINANCIAL RISK MANAGEMENT

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

(a) Credit Risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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

	<b>Total amount Kshs'000</b>	<b>Fully performing Kshs'000</b>	<b>Past due Kshs'000</b>	<b>Impaired Kshs'000</b>
<b>At 30 June 2020</b>				
Receivables from non-exchange transactions	193,063	19,745	9,238	164,080
Bank balances	1,103,565	-	-	-
Loans	968,101			
<b>Total</b>	<b>2,264,729</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2019</b>				
Receivables from non-exchange transactions	161,059	3,353	2,883	154,823
Bank balances	291,247	-	-	-
Loans	610,838	-	-	-
<b>Total</b>	<b>1,063,144</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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

**i) Credit Risk Measurement**

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**ii) Impairment and Allowance Policies**

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

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

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

	2020 Ksh'000'	2019 Ksh'000'
<b>Individually Impaired</b>		
Normal	619,034	417,052
Watch	120,028	56,481
Sub -Standard	70,592	24,853
Doubtful	-	809
Loss	<u>310,329</u>	<u>296,215</u>
Gross Amount	1,119,983	795,410
Allowance for Impairment	<u>(152,122)</u>	<u>(184,572)</u>
<b>Carrying Amount</b>	<b><u>967,861</u></b>	<b><u>610,838</u></b>

**iii) Past due but not Impaired Loans**

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

	2020 Ksh'000'	2019 Ksh'000'
<b>Loans to Customers</b>		
Past due but not Impaired	809,654	498,386
Past Due and Impaired	310,329	297,027
Impairment Allowance	<u>(152,122)</u>	<u>(184,572)</u>
<b>Total</b>	<b><u>967,861</u></b>	<b><u>610,838</u></b>

**(b) Liquidity Risk Management**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

	<b>Less than 1 month</b>	<b>Between 1-3 months</b>	<b>Over 5 months</b>	<b>Total</b>
	<b>Kshs'000</b>	<b>Kshs'000</b>	<b>Kshs'000</b>	<b>Kshs'000</b>
<b>At 30 June 2020</b>				
Trade payables	9,248	-	98,082	107,330
<b>Total</b>	<b>9,248</b>	<b>-</b>	<b>98,082</b>	<b>107,330</b>
<b>At 30 June 2019</b>				
Trade payables	4,522	60	118,153	122,735
<b>Total</b>	<b>4,522</b>	<b>60</b>	<b>118,153</b>	<b>122,735</b>

**(c) Market Risk Management**

The Board has put in place an Internal Audit and Risk management functions to assist it in assessing the risk faced by the entity on an on-going basis, evaluate and test the design and effectiveness of its Internal Accounting and operational controls.

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

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

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

**i) Interest Rate Risk**

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in the interest rate levels. The company takes on exposure to the effect of fluctuation in prevailing levels of market interest rate on both fair value and cash flow risk. The company holds interest bearing assets in form of loans to customers. The Board has assessed the interest rate risk and does not foresee any changes in the market that may adversely affect the company's cash flow This is because the company interest rate regime is fairly stable.

The company is no longer exposed on interest rate on financial instruments as this exposure was eliminated after the government wrote off the company loan as per note 25 of the financial statement.

**ii) Foreign Exchange Risk**

The company has no exposure to foreign currency risk because of the nature of its business and after its loans were written-off by the government.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**36. PRIOR YEAR ADJUSTMENTS**

Kshs.19.963 Million in prior year, relates to Input VAT claimable from Kenya Revenue Authority, payments of invoices and rent income adjustments for the prior years which were carried out in the Financial Year 2019/2020.

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**APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Ref No. on external Audit report	Issue/Observations from Auditor (2017/18 audit certificate issues)	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Time frame:
1	<p><b>Financial Performance</b></p> <p>During the year under review, the Company reported a loss before tax of Kshs. 167,101,000 (2016/2017: loss of Kshs. 125,109,000) and 2015/2016-loss of Kshs. 174,030,000) which brought the cumulative reserves to a negative balance of Kshs. 3,111,014,000. In addition, the statement of financial position as at 30<sup>th</sup> June, 2018 reflects total current liabilities of Kshs. 1,567,387,000 against total current assets of Kshs. 266,345,000 resulting in a negative working capital of Kshs. 1,301,042,000. As reported in the previous years, the company is technically insolvent and its existence as a going concern is dependent upon continued support by the National Government and creditors.</p>	<p>The Kenya Industrial Estates (KIE) Board of Directors and management have been working in collaboration with the Parent Ministry of Industry, Trade and Enterprise Development and The National Treasury to address this matter. The Board is satisfied that the steps it has taken have completely turned-around the financial position of the Kenya Industrial Estates Ltd, thus assuring sustainability of the organization into the future.</p> <p>The steps taken to address this matter are;</p> <p><b>(i). Developing a Turnaround Strategy</b> The Board developed and implemented a solid turnaround Strategy. The strategy focuses on financial sustainability, broadening of product offering and market positioning. With the support of the Parent Ministry and The National Treasury, the implementation of this strategy has turned-around the fortunes of KIE.</p> <p><b>(ii). Restructuring of KIE balance sheet</b> The Board prepared a Cabinet Memorandum for consideration by Cabinet to restructure KIE's Balance sheet. The request was based on the strategic role KIE has played over the years and continues to play in promoting and developing Micro, Small and Medium Enterprises in the country and the historical challenges KIE has faced, and the current financial status and the need to improve, strengthen and make the institution vibrant.</p>	KIE Board	Resolved	

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Ref No. on external Audit report	Issue/Observations from Auditor (2017/18 audit certificate issues)	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Time frame:
		<p>The Cabinet considered KIE's request and approved the write off of loans owed to Government amounting to Kshs 1,210,000,000. The changes were effected in 2018/2019 financial statements and significantly changed the KIE's balance sheet. KIE assets now exceed its liabilities (total assets as at 30th June, 2019 Kshs. 3,288,129,000 against total liabilities Kshs. 378,888,000) thus addressing the issues of technical insolvency</p> <p><b>(iii). Government Budget Support</b> As part of the turnaround strategy, the Government has provided funding for KIE's programmes of providing credit to MSMEs in the manufacturing sector. At the same time KIE was identified as a lead agency in the implementation of the Government's BIG Four agenda under the manufacturing pillar. KIE's role of providing credit to MSMEs supports a critical effort by the Government to create jobs through SMEs. The Government has committed to finance KIE programmes and the organization has noted significant enhancement of its development and recurrent budgets. In 2018/2019 the organization received Kshs. 545,284,000 from Government (development Kshs. 300,000,000 and recurrent Kshs. 245,284,000) while in 2019/2020 KIE will receive Kshs. 1,478,936,000 (development kshs. 1,200,000,000 and recurrent Kshs. 278,936,000) indicating Government commitment to fully support KIE.</p>			
2.	<p><b>Long Outstanding Trade Payables</b> Included in trade and other payables balances of Kshs. 121,075,000 as reflected under note 26 in the financial statements is Kshs. 16,296,975</p>	<p>The reason for not settling the payables was due to incomplete and missing documentation. The management is making all efforts to settle all the outstanding accounts.</p>	FM		30/06/2020

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Ref No. on external Audit report	Issue/Observations from Auditor (2017/18 audit certificate issues)	Management comments	Focal Point person to resolve the issue	Status: (Resolved/ Not Resolved)	Time frame:
	and Kshs. 1,565,726 for trade payables and other payables respectively, which has been outstanding for more than a year. In view of the foregoing, the company's inability to pay its creditors in due time may lead to unsustainable pending bills position.			Not resolved	
3.1	<p><b>Long Outstanding Staff Receivables</b></p> <p>Note 21(a) reflects a balance of Kshs. 3,920,396 as staff receivable which includes Kshs. 2,869,509 relating to advances and imprest for staff members who have since left the company's service. As previously reported, recoverability of the same remains doubtful.</p>	<p>This relates to imprest and advances for staff who have since left the organization. Some of these ex-staff imprest are as old as 15 years and some of the ex-staff are deceased. The management has made effort to follow the ex-staff to clear the outstanding balances and has written letters demanding settlement, listing with CRB and use of debt collectors with minimal success.</p> <p>To ensure this does not recur, the company has developed a policy on staff imprests, advances and ex-staff debts. This requires imprests for current staff to be accounted immediately and advances recovered within the given duration. Staff leaving the organization have to go through an elaborate clearance procedure where a member of staff has to fill a clearance certificate which must be signed-off in all departments. As a result of this policy measure, there is no new cases of ex-staff debts.</p> <p>The management shall recommend to the Board on the most appropriate action to take to avoid retaining these debts in the company books for a long time. In the meantime, the company has made a provision for these debts.</p>	FM	Not resolved	30/06/2020

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Ref No. on external Audit report	Issue/Observations from Auditor (2017/18 audit certificate issues)	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Time frame:
3.2	<p><b>Non Movement of Trade Receivables</b></p> <p>The trade and other receivables balance as at 30<sup>th</sup> June 2018 includes sundry debtors totalling Kshs. 13,255,378 out of which debts amounting to Kshs. 13,246,729 did not record any decrease from the respective balances from the previous financial years. No explanation has been provided by management why these long outstanding balances are carried forward from year to year without being recovered or appropriate action taken against the debtors.</p> <p>Consequently, it has not been possible to confirm that trade and other receivables balance of Kshs. 122,987,000 as at 30<sup>th</sup> June 2018 is fairly stated.</p>	<p>The trade receivables relate to consultancy work done for County Governments where the work was completed but payment was not effected for the services rendered. The Company is pursuing them to ensure full settlement of the debt.</p>	FM/Ag BAS Manager	Not resolved	30/06/2020
4.	<p><b>Investment in Consolidated Bank of Kenya Shares</b></p> <p>The company's statement of financial position as at 30<sup>th</sup> June 2018 reflects unquoted investments of shares in Consolidated Bank of Kenya valued at Kshs. 11,200,000. The value of the share has remained the same for many years with no evidence of dividends received from the bank and hence the company has not obtained value from the investment.</p>	<p>The disclosure in the Financial Statements was at cost as per share certificate. We wrote to the bank to confirm the shares existence which they did as per their letter dated 30th May, 2019. The Bank did not declare dividends thus no dividends were recognized in the Financial Statements. However, to ensure KIE is cushioned in regard to this investment, a full provision was made in the Financial Statements for 2018/2019 even as we continue to monitor the performance of the the bank.</p>	FM	Not resolved	20/06/2020
5.	<p><b>Non- Performing Loans</b></p> <p>The statement of financial position reflects a figure of Kshs.</p>	<p>The company is cognizant of the status of the loan portfolio and has taken steps to redress</p>			

**Kenya Industrial Estates Limited**

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Ref No. on external Audit report	Issue/Observations from Auditor (2017/18 audit certificate issues)	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Time frame:
	<p>737,587,000 loans balance as at 30<sup>th</sup> June 2018 and as reflected in note 19 to the financial statements is a figure of Kshs. 1,031,968,485 for gross loans whereby Kshs. 720,265,226 (70%) are non- performing loans as they include loans of Kshs. 630,934,265 which have been outstanding for more than one year.</p> <p>The recoverability of the loans and interest remains doubtful with a likelihood of affecting the company performance.</p>	<p>the situation. The portfolio composition as at 30th June, 2018 included historical loan accounts which dated back to more than 30 years and the current loan accounts. The historical accounts were created when Kenya Industrial Estates Ltd was purely engaged in Africanization of the Industrial Sector and loans were given at very soft terms without the need to provide tangible security. The non-performing loans are largely composed of the legacy loans. The current Risk framework has robust measures for ensuring loans are fully secured.</p> <p>The Management has put in place measures to ensure the KIE loan portfolio is performing and fall within the industry benchmarks. The steps in place are detailed below:</p> <p>(i) The company has a robust appraisal system and a well-entrenched Risk Management Framework which ensures loans applicants have to meet a minimum criterion to be selected for funding. Only applicants whose proposals demonstrate a business case with a high chance of success are selected for funding.</p> <p>(ii) The Company has put in place a very strong monitoring and evaluation mechanism to ensure that all its loans are performing and early warning signals are picked up and addressed.</p> <p>(iii) The company has a framework for engaging clients whose enterprises are facing challenges. This includes offering Business Advisory Services and restructuring to ensure that the loans perform.</p>	<p>Manager Operations</p>	<p>On-going</p>	<p>20/06/2020</p>

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Ref No. on external Audit report	Issue/Observations from Auditor (2017/18 audit certificate issues)	Management comments	Focal Point person to resolve the issue	Status: ( <i>Resolved</i> / <i>Not Resolved</i> )	Time frame:
		<p>(iv) The company has reviewed all the historical and legacy accounts which have continued to affect the performance of the KIE loan portfolio to determine whether they are recoverable. Loans amounting to Kshs. 159,418,375.40 have been written-off and measures have been put in place to recover from the other accounts. This has been remarkable progress.</p> <p>(v) All the accounts in the current loan portfolio are fully secured with land security. The value of land taken as security is discounted at pre-determined rates to cushion the company against loss at the time of disposal, for example rural properties are discounted at 50% while urban properties are taken at 60%. This addresses risk and exposure.</p>			

*Pamain de Namtal*

MANAGING DIRECTOR

Date: 24/5/2021

*Junguz*

CHAIRMAN OF THE BOARD

Date: 24/5/2021

## Kenya Industrial Estates Limited

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#### APPENDIX II: PROJECTS IMPLEMENTED BY KIE

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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources
1	Credit to SMES	3.35 Billion	2.0464 Billion	43.2%	1.2 Billion	1.2 Billion	GOK and Internally Generated resources

#### APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:		KENYA INDUSTRIAL ESTATES LTD		
Break down of Transfers from the State Department of Investment and Industry				
FY 19/20				
a.	Recurrent Grants			
		Bank Statement Date	(KShs'000)	2019-2020
		16/08/2019	69,734	
		18/10/2019	69,734	
		30/01/2020	69,734	
		05/05/2020	23,245	
		02/06/2020	23,245	
		29/06/2020	23,244	
			<b>278,936</b>	
b.	Development Grants			
		Bank Statement Date	(KShs'000)	2019-2020
		02/10/2019	600,000	
		27/02/2020	600,000	
			<b>1,200,000</b>	

#### APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Don or Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
N/A	-	-	-	-	-	-	-	-	-

**Note:** The Company did not receive any transfers from other government institutions during the year under review.