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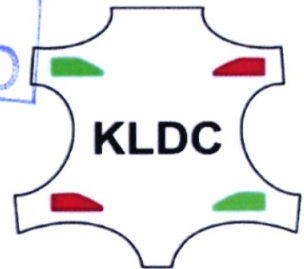
OF

THE AUDITOR-GENERAL

ON

KENYA LEATHER DEVELOPMENT COUNCIL

FOR THE YEAR ENDED	
30 JUNE, 2025	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 25 FEB 2026	DAY: WEDNESDAY
TABLED BY:	HON. NAOMI WADO, MP DEPUTY MAJORITY WHIP
CLERK-AT-THE-TABLE:	ESTHER NGENYO



KENYA LEATHER DEVELOPMENT COUNCIL

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2025

**Prepared in accordance with the Accrual Basis of Accounting Method under the International Public
Sector Accounting Standards (IPSAS)**

Kenya Leather Development Council
Annual Report and Financial Statements
For the year ended June 30, 2025.

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1. Acronyms and Definition of Key Terms

A: Acronyms

ACFE	Association of Certified Fraud Examiner
BAT	British American Tobacco
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
CPA	Certified Public Accountant
EPZA	Export Processing Zones Authority
HELB	Higher Education Loans Board
ICPAK	Institute of Certified Public Accountants of Kenya
IHRM	Institute of Human Resource Management
IPSAS	International Public Sector Accounting Standards
KCMF	Kariokor Common Manufacturing Facility
KLDC	Kenya Leather Development Council
MSMEs	Micro, Small and Medium Enterprises
NITA	National Industrial Training Authority
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
TPCSI	Training and Production Centre for Shoe Industry

B: Definition of Key Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organization.

Comparative Year- Means the prior period.

Prior Year Period – Refers to the Financial Year 2023/24

2. Key Entity Information and Management

(a) Background information

The Kenya Leather Development Council (KLDC) is a State Corporation established by the Government of Kenya under the Kenya Leather Development Council Order, 2011 (Legal Notice No. 114 of the Kenya Gazette Supplement No. 113 of 9th September 2011, under the State Corporation Act (Cap 446), laws of Kenya. The Council was instated as a specialized agency to drive the Government's agenda on the development of leather industry. To achieve this, the Council is expected to regulate and facilitate the growth of the industry. The principal mandate of KLDC is to drive the transformation of the leather value chain in the Country from a raw material/ semi-processed export driven sector to a finished leather product manufacturing industry. KLDC is therefore a key driver of the "Big Four" Agenda under the Manufacturing Pillar. The roadmap to this success is embedded on strategic objectives which specifically address the key challenges facing it. The strategic objectives are aligned to the Council's mandate.

(b) Principal Activities

The principal activity/mission of the Council is to:

1. To provide advisory services to the Cabinet Secretary on matters relating to processing of and trade in hides, skins, leather and leather goods for planning purpose
2. To promote, direct, coordinate, regulate, and harmonize all activities in the leather subsector
3. To oversee licensing in the leather subsectors
4. To undertake research and development activities in the leather industry
5. To Enforce compliance with set standards in collaboration with other relevant institutions in the industry.
6. To Mobilize technical and financial support for the leather subsector.
7. To Collect, store, analyse, and disseminate data on leather.
8. To Perform any other function, as the Cabinet Secretary may consider necessary.

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(c) Key Management

The Council's day-to-day management is under the following key organs:

No.	Designation	Name
1.	Board of Directors/ Council	KLDC Board of Directors
2.	The Chief Executive Officer	Dr. Issack M. Noor, PhD
3.	Director, Corporate Services	Mr. Mohammednoor A. Isacko
4.	Director, Technical Services	Mr. Charles M. Ndung'u (Retired in Nov 2024)
5.	Ag. Director Technical Services	Mr. John Otieno Okumu (From Dec 2024)
6.	Manager, Capacity Building	Mr Paul M. Ephantus (Retired in Nov 2024)
7.	Ag. Manager Kariokor CMF	Ms. Janet Mesa (From Dec 2024)
8.	Ag. Manager Capacity Building	Mr. Stephen Kakuli (From Dec 2024)
9.	Manager, Quality Assurance and Compliance	Dr. Ahmed A. Hassan, PhD
10.	Manager, Human Resource & Administration	Mrs Yvonne K. Nkoiboni
11.	Manager, Finance and Accounts	CPA Albert Ariku
12.	Principal Supply Chain Officer	Mr. Erick Rithaa Kinoti
13.	Principal Planning and Strategy Officer	Hellen K. Mutegi
14.	Principal Communications and Strategy Officer	Mr. Issack Alio

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Dr. Issack M. Noor, PhD
2.	Head of Corporate Services	Mr. Mohammednoor A. Isacko
3.	Head of Technical Services	Mr. Charles M. Ndung'u (Retired in November 2024)
4.	Ag. Head of Technical Services	Mr. John Otieno Okumu (From Dec 2024)
5.	Head of Finance	CPA Albert Ariku
6.	Head of Procurement	Mr. Erick Rithaa Kinoti
7.	Corporation Secretary/Head of Legal	Ms. Carlyne Cheruiyot

Key Entity Information and Management (continued)

(e) Fiduciary Oversight Arrangements

Fiduciary oversight is managed by the Board of Directors through its various committees. The committees are:

i) Finance and Governance Committee

The Finance Committee reviews budgets initially prepared by staff, to help develop appropriate procedures for budget preparations, and consistency between the budget and KLDC work plans. The Committee ensures regular, accurate monitoring and accountability for funds and reports to the Board on any financial irregularities. The members are listed below.

- | | |
|--------------------------|---------------------------------------|
| 1. CPA Michael K. Nyangi | Chairperson |
| 2. Mr. David Rotich | Member |
| 3. Ms. Esther N. Njoroge | Member |
| 4. Ms. Florence John | Member |
| 5. Mr. Johnson Mwangi | Member |
| 6. Dr. Issack M. Noor | Chief Executive Officer |
| 7. Ms. Carolyn Cheruiyot | Corporation Secretary & Head of legal |

ii) Audit Committee

The Audit Committee analyses and addresses the risks that are associated with the key processes of the Council. The Audit Committee reports to the Board of any financial irregularities. The Audit Committee liaises with auditors on any significant matters arising. Oversees the financial reporting and disclosures processes. The members are listed below.

- | | |
|----------------------------|---------------------------------------|
| 1. Ms. Regina N. Muthami | Chairperson |
| 2. Dr. Moses Amoo | Member |
| 3. Mr. Peter Gathii Reuben | Member |
| 4. Mr. Johnson Mwangi | Member |
| 5. Mr. Garrison Kurgat | Principal Internal Auditor/ Secretary |

iii) Human Resource, Risk & Compliance Committee

The Committee discusses matters dealing with staff before presentation to Board for necessary approvals, coordination, and formal evaluation of Kenya Leather Development Council staff and report to the Board. Monitor and evaluate the Management industrial relations, employment law compliance, conduct and discipline, health and welfare and make recommendations to the Board. The members are listed below.

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- | | |
|---------------------------|---------------------------------------|
| 1. Ms. Florence John | Chairperson |
| 2. Dr. Moses Amoo | Member |
| 3. Ms. Regina N. Muthami | Member |
| 4. Ms. Norah Chemirmir | Member |
| 5. Dr. Issack M. Noor | Chief Executive Officer |
| 6. Ms. Carolyne Cheruiyot | Corporation Secretary & Head of legal |

iv) Technical and Strategy Committee

The Committee makes deliberations on technical matters on the Leather Sector and finally presents their recommendations to the Board of the Council. Review the Council performance contract, annual reports, work plan and performance contract documents. Review the Council's projects and policy recommendations for the leather sector. The members are listed below.

- | | |
|----------------------------|---------------------------------------|
| 1. Mr. Peter Gathii Reuben | Chairman |
| 2. Mr. David Rotich | Member |
| 3. CPA Michael K. Nyangi | Member |
| 4. Ms. Esther Njoroge | Member |
| 5. Ms. Norah Chemirmir | Member |
| 6. Dr. Issack M. Noor | Chief Executive Officer |
| 7. Ms. Carolyne Cheruiyot | Corporation Secretary & Head of legal |

Key Entity Information and Management (continued)

(f) Entity Headquarters

P.O. Box 14480-00800
CPA Centre, 5th Floor
Thika Superhighway
Nairobi, KENYA

(g) Entity Contacts

Telephone: (254) 704617705/ (254) 709386000
Email: info@leathercouncil.go.ke
Website: <https://www.leathercouncil.go.ke>

(h) Entity Bankers

Kenya Commercial Bank
P. O. Box 14959- 00800
NAIROBI, KENYA

(i) Independent Auditor

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

(j) Principal Legal Adviser

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

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3. The Board of Directors

Ref	Directors	Details
1.	 <p>Capt. Mohamed A. Adan Chairperson of the Board</p>	<p>Capt. Mohamed A. Adan, born in 1965, was appointed Chairman of the KLDC Board vide Gazette Notice No. 4390 of 3rd April 2023. He holds an Executive Master of Business Administration in Aviation from Moi University. He also holds an Airline Transport License and Commercial Pilot's Course from Qualiflight Training Inc, Fortworth, Texas, USA. He is an Aircraft Type Rating Examiner and Instrument Rating Examiner by the Kenya Civil Aviation Authority (formerly Directorate of Civil Aviation). He previously served as the Technical Director of Bluebird Aviation and is currently the Managing Director of the company, which is an air charter company specializing in air transport of cargo, passengers, rescue and medical evacuations; that he co-founded in 1992 and continues to operate.</p>
2.	 <p>CPA. Michael K. Nyangi Member</p>	<p>CPA. Michael Nyangi, who was born 1975, is an independent member appointed to the KLDC, Board of Directors by the Cabinet Secretary, Ministry of Agriculture and Livestock Development vide Gazette Notice No. 4396 of 3rd April 2023. CPA Nyangi chairs the Finance and Governance Committee of the Board. He holds a BSC in International Business Administration from USIU, a Certified Public Accountant of Kenya (CPA-K), Certified Secretary (CS) and an ACFE, and is currently pursuing a Master of Science in Finance and Investments at the University of Nairobi. He is well-versed in international accounting standards, international financial reporting standards, financial modeling, budgeting, and tax audit management. He has over 25 years of industry experience. He presently serves as the Chief Financial Officer at Iberafrica Power (EA) and Thika Power. He formerly worked at Comtec Group as a senior accountant and finance and administration manager, as well as Hashi Empex and St. Hannah's School as an accountant. He is actively involved in the community and is currently the captain of Kiambu Golf Club. He was the club's treasurer for the previous two years.</p>

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3.	 Ms. Florence C. John Member	<p>Ms. Florence, who was born 1967, is an independent member appointed to the KLDC Board of Directors by the Cabinet Secretary, Ministry of Agriculture and Livestock Development vide Gazette Notice No. 4396 of 3rd April 2023. She is a seasoned farmer with more than 20 years of experience. Also, she has over 10 years' experience in the banking sector having worked for both Kenya Commercial Bank and Cooperative Bank. She also worked in the Office of the President for 4 years. She holds a Diploma in Secretarial Studies, and a Certificate in Office Management for Secretaries.</p>
4.	 Ms. Regina N. Muthami Member	<p>Ms. Regina, who was born 1969, is an independent member appointed to the KLDC Board of Directors by the Cabinet Secretary, Ministry of Agriculture and Livestock Development vide Gazette Notice No. 4396 of 3rd April 2023. She holds a Bachelor of Education (Arts) from Kenyatta University. She has worked as a Graduate Teacher at Igikiro Boys Secondary School and Maganjo Secondary School and served as a Supervisor and Invigilator with Kenya National Examinations Council. She is passionate about improving the livelihood of the vulnerable in the society.</p>
5.	 Mrs. Esther N. Njoroge Member	<p>Mrs. Esther Njoroge was born in 1963, and is an independent member appointed to the KLDC Board of Directors by the Cabinet Secretary, Ministry of Agriculture and Livestock Development vide Gazette Notice No. 3895 of 24th March 2023. Esther chairs the Human Resource, Risk & Compliance Committee of the Board. She holds a Diploma in Counselling Psychology from Amani Training & Counselling Institute, Advanced National Certificate in Business Administration from Kenya Institute of Management, Full Secretarial Course from Valley Secretarial College and is currently pursuing a BA in Counselling Psychology from Tangaza University. She has worked at Shelter Afrique as an Executive Assistant, Unilever Kenya Ltd, Salama Freight Company and Tru Fruits (K) Ltd as Executive Assistant, Administrative Assistant and Secretary to the Managing Director. She has also served as a Board Member of Maisha Bora Sacco and Maisha Bora Ventures.</p>

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<p>6.</p>	 <p>Mr. Peter Gathii Reuben Member</p>	<p>Mr. Peter Gathii, who was born 1964, is an independent member appointed to the KLDC Board of Directors by the Cabinet Secretary, Ministry of Agriculture and Livestock Development vide Gazette Notice No. 4396 of 3rd April 2023. Mr. Gathii is a holder of a Diploma in Meat Technology and a Certificate in Animal Health. He is currently the Director at Westgate Shield Group of Schools and Kenashi International Limited.</p>
<p>7.</p>	 <p>Mr Johnson M. Mwangi Rep CS, National Treasury</p>	<p>Mr. Johnson Mwangi, who was born 1973, is currently a Senior Deputy Director, Macro and Fiscal Affairs Department in the National Treasury. He represents the Cabinet Secretary, National Treasury in the KLDC Board. He has served as an Economist for 26 years in various Government Ministries including in the Office of the Vice President and Ministry of Planning and National Development, Ministry of Environment and Natural Resources, Ministry of Education, Science and Technology, Ministry of Health and the National Treasury. He holds a Bachelor of Arts (BA) in Economics and Master of Arts (MA) in Economics degrees from the University of Nairobi.</p>
<p>8.</p>	 <p>Dr. Moses Oude Amoo Member</p>	<p>Dr. Moses Amoo, who was born 1974, is an independent member appointed to the KLDC Board of Directors by the Cabinet Secretary, Ministry of Agriculture and Livestock Development vide Gazette Notice No. 4396 of 3rd April 2023. Dr. Amoo chairs the Technical and Strategy Committee of the Board. Dr. Amoo holds a PhD and Masters in Leadership Administration and Management from Northwestern Christian University. He holds a Bachelor's Degree in Business Administration (Finance) from Makerere University and a Diploma in Business Administration (Accounting) from Mombasa Aviation Training Institute. He served as the Managing Director at Camo Freighters Limited and More Forwarders Limited, and as an Operations Manager at Habo Agencies Limited. He also worked for Kenya Postal and BAT Kenya.</p>

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<p>9.</p>	 <p>Mr. David K. Rotich Member</p>	<p>Mr. David Rotich, who was born 1960, is an independent member appointed to the KLDC Board of Directors by the Cabinet Secretary, Ministry of Agriculture and Livestock Development vide Gazette Notice No. 4396 of 3rd April 2023. He chairs the Audit Committee of the Board. He worked at the City Council of Nairobi in the rank of Constable rising to the rank of Senior Superintendent and once acted as Deputy Director City Inspectorate.</p> <p>Mr. Rotich also served as the Chairman of the Kenya-Inter Municipalities Sports and Cultural Association (KIMSCA), East Africa Local Authorities Sports and Cultural Association (EALASCA), Nairobi City Council Cooperative Society (NACICO) and Manyoror Secondary School.</p>
<p>10.</p>	 <p>Dr. Issack M. Noor, PhD Secretary/Chief Executive Officer</p>	<p>Dr. Noor holds a PhD in Livestock Production Systems, Egerton University (2013), MSc (Animal Production), University of Nairobi (1999), BSc (Animal Science) Egerton University (1995), Diploma (Animal Health) Egerton University (1990), Certificate (Meat Inspection), Meat Training Centre, Athi River (1984) and Certificate (Animal Health) AHITI - Nyahururu (1982). He has over 42 years of public service experience in veterinary department, teaching and research at University, University administration and as Chief Executive Officer.</p>
<p>11.</p>	 <p>Carolyne Cheruiyot Corporation Secretary/ Head of Legal</p>	<p>Carolyne Cheruiyot is an Advocate of the High Court of Kenya with over 10 years' experience in legal practice. She is a Certified Secretary and a member of the Institute of Certified Secretaries - Kenya. Carolyne holds a Master of Laws Degree - University of Nairobi, Postgraduate Diploma - Kenya School of Law and a Bachelor of Laws Degree from the University of Nairobi. Carolyne is also a Certified Professional Mediator (CPM) certified by the Mediation Training Institute, East Africa. She is a passionate expert in corporate governance, arbitration, conveyancing, litigation and commercial transactions.</p>

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4. Key Management Team

Ref	Management	Details
1.	 <p>Dr Issack M. Noor, PhD PhD in Livestock Production Systems, Egerton University MSc (Animal Production), University of Nairobi, BSc (Animal Science) Egerton University, Diploma (Animal Health) Egerton University, Certificate (Meat Inspection), Meat Training Centre, Athi River Certificate (Animal Health) AHITI, Nyahururu.</p>	<p>Chief Executive Officer/ Secretary</p>
2.	 <p>Mr Charles M. Ndungu BSc Leather Technology, Northhampton University Certificate in Hides and Skins Improvement</p>	<p>Director, Technical Services (Retired on Nov 2024)</p>
3.	 <p>Mr John Otieno Okumu MSc in Environmental Planning & Management, Maseno University BSc in Material Science (Leather), University of Northampton Certificate in Hides & Skins Improvement, AHITI Kabete KCE Certificate, Mawego Technical School</p>	<p>Ag. Director, Technical Services) (From Dec 2024)</p>




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4.	 <p>Mr Mohammednoor A. Isacko Masters in Business Administration, The University of Nairobi Bachelor of Commerce (HRM), The University of Nairobi Higher National Diploma, IHRM Diploma in Public Administration from Institute of Galilee (Israel).</p>	Director, Corporate Services
5.	 <p>Carolyne Cheruiyot Master of Laws Degree, University of Nairobi, Postgraduate Diploma, Kenya School of Law Bachelor of Laws Degree, University of Nairobi Certified Professional Mediator (CPM), Mediation Training Institute, East Africa.</p>	Corporation Secretary /Head of Legal
6.	 <p>Mr Paul M. Ephantus MSc. Environmental Legislation and Management (ongoing) BSc. (Hons.) Materials Technology (Leather), University of Northampton (UK)</p>	Manager, Capacity Building (Retired on Nov 2024)

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7.	 <p>Dr. Ahmed A. Hassan, PhD Doctor of Philosophy in Business Administration (Strategic Management option), JKUAT Masters in Business Administration (MBA) Strategic Management option, Kenya Methodist University BSc (Hons), Northampton University (UK)</p>	Manager, Quality Assurance & Compliance
8.	 <p>Mrs Yvonne K. Nkoiboni Bachelor's degree in Human Resource Management Certified Human Resource Practitioner – IHRM</p>	Manager, Human Resource & Administration
9.	 <p>CPA Albert Arikku Master of Business Administration (Finance), Moi University Bachelor of Business Management (Accounting), Masinde Muliro University.</p>	Manager, Finance & Accounts

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10.	 <p>Janet Mesa Master of Science (Leather Technology), Dedan Kimathi University of Science and Technology Bachelor of Science (Leather Technology), DeKUT Senior Management Course, Kenya School of Government.</p>	Ag. Manager, Kariokor CMF (From December 2024)
11.	 <p>Stephen Kakuli Bachelor's Degree in Leather Science and Technology (First class honours), University of Nairobi Senior Management Course, Kenya School of Government Training of Trainers and Footwear Design & Transformative Entrepreneurship (African Leather and Leather Products Institute, Ethiopia)</p>	Ag. Manager, Capacity Building (From Dec 2024)
12.	 <p>Mr. Erick Rithaa Kinoti Master of Business Administration Bachelor of commerce degree (procurement and supply chain Management) CPA part II Member of Kenya Institute of Supplies Management (KISM).</p>	Principal Supply Chain Management Officer

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13.	 <p>Hellen K. Mutegi Master's Degree in Project Planning and Management, University of Nairobi. Bachelor's Degree in Education</p>	Principal Planning & Strategy Officer
14.	 <p>Mr. Issack Alio PhD in Communication, Daystar University (Ongoing) Master's in Journalism and Mass Communication, Egerton University Bachelor's degree in Communication and Media</p>	Principal, Communications & Publicity Officer
15.	 <p>CPA Garshion Kurgat Master's Degree in International Accounting and Management, The University of Siena (Italy) Bachelor of Commerce Degree (Accounting), Technical University of Kenya. Strategic Leadership Development Program (SLDP), Kenya School of Government. Certified Public Accountant of Kenya (CPAK)</p>	Principal Internal Auditor

5. Chairman's Statement

I take this opportunity to present the annual report and financial statements for the financial year (FY) 2024/2025. This report is a reflection of the commitment of Kenya Leather Development Council's Board and management in striving to achieve impactful interventions to grow the leather industry. The industry continues to be a priority sector for industrialization under the current Government's administration. The Kenya Leather Development Council (the Council) plays a critical role in the industry's development and promotion of the leather value chain.

The Board and the management have continued to ensure that the Council discharges its mandate through the realization of the strategic objectives set out in the Strategic Plan FY 2022/2023 - 2026/2027. The Council's focus has been to facilitate excellence in the leather industry; enhance leather sector infrastructure; promote leather processing and product manufacturing; and promote leather marketing. These objectives are designed to transform Kenya towards becoming a leather manufacturing hub. The Strategic Plan FY 2022/2023 - 2026/2027 which was launched on 5th December, 2024, has enhanced objectives with regard to strengthening the Council and the leather industry, thus resulting in the conquering of local and international markets.

The Council has continued to work in collaboration with critical partners locally and internationally and also benefited from the support given by the then parent Ministry of Agriculture and Livestock Development, the National Treasury and other Government Departments and Agencies. In addition, the Board has maintained a culture of robust stakeholder engagements as stipulated in Chapter Six (6) of *Mwongozo*, the Code of Governance for State Corporations, 2015. These efforts have been critical in identifying industry challenges and focus areas for the Board during their term in office.

Core Mandate

In the financial year, there was an increase in the implementation of critical activities, programs and projects with a notable increase in capacity building of industry players, outreach programmes, stakeholder engagement, Board and staff training.

The objective of enhancing the leather sector infrastructure was met through the continued development of the Kenya Leather Industrial Park (KLIP). Notably, the construction of the Common Effluent Treatment Plant (CETP) has progressed well. However, the completion and operationalization of the CETP has been hindered by a lack of sufficient funding from the National Treasury, which has led to an Arbitration Claim filed by the CETP contractor due to delayed

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payments. Construction of two (2) leather products manufacturing industrial warehouses (2,500M² each) is 100% complete and handover has taken place, while construction of two (2) leather processing warehouses (5,000M² each) is 97% complete. These warehouses are expected to provide “plug and play” incentivised facilities for investors. During the year under review, the Council commenced construction of 1No. Administration Block and Associated Infrastructure and 1No. Training Centre and Laboratory Block and Associated Infrastructure, which are at 15% and 10% completion, respectively.

The enablers of the KLIP project such as the Ministry of Roads, Kenya Power, and Tanathi Water Works Development Agency are at various stages in the implementation of their respective components. However, a lot of progress has been witnessed in during the financial year, with The Ministry of ICT having completed its component. Construction of the road network to access the park and within the park is ongoing but frequent delays have been experienced due to delayed payment of contractors. Water supply, storage and reticulation works are complete. Refabrication and reinstallation of 100M³ pressed steel high-level water tank is 50% complete. Since the development of these critical infrastructure and utilities will bolster the competitiveness of the Leather Park, the management continues to pursue the implementation of all components, including the security component.

With respect to the Council’s objective of promotion of leather processing and product manufacturing, the Kariokor Common Manufacturing Facility (KCMF) which is expected to bolster local footwear and leather goods competitiveness is now operational. Since the handing over of the facility on the 14th July, 2021 to KLDC by the Nairobi City County Government, the customization of the facility was completed, as well as the installation, testing, training and commissioning of the machinery. Several Micro, Small and Medium Enterprises (MSMEs) have continued to benefit from the trainings offered at the facility.

The Council has continued to nurture the Training and Production Centre for Shoe Industry (TPCSI), Thika, in order to ensure that it achieves its strategic objective of supporting growth in the leather sector through appropriate skills development. The Board took cognizance of the challenges regarding the registered ownership of the facility. The pursuit for the facility’s title document has progressed after the Solicitor General advised that the facility’s land be compulsorily acquired by the National Land Commission on behalf of the Parent Ministry, and the award be assessed at NIL. A request to

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that effect has been made to the National Land Commission. The Board receives quarterly reports for the financial and social impact parameters of TPCSI, which will inform strategic decisions with regard to the Centre's future.

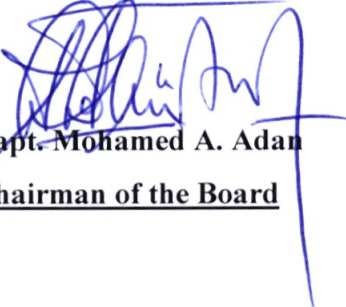
In the financial year, the Kenya Leather Development Policy which is intended to provide a dedicated roadmap for the short-term and long-term development of the leather industry was launched on 5th December, 2024.

Good Governance & Human Resource Capital

The Directors have given exemplary service to the country. They benefited from a training organized by the Institute of Certified Secretaries – Kenya that covered various governance issues. The training has equipped the Board to ably discharge its oversight duty, understand the principles of good governance and risk management, and their role and responsibilities.

The Board is committed in guiding the management in realisation of the Council's key performance indicators contained in the performance contract. This is despite the existence of human resource gaps in various departments in the Council, which require to be addressed accordingly.

I am grateful to the current political dispensation, which has prioritized the leather industry. This will sustain the momentum in the industry's development and promotion of the value chain. By doing so, the industry shall contribute significantly towards wealth creation, income generation opportunities and have an important social impact in improving the lives and livelihoods of Kenyans.



Capt. Mohamed A. Adan
Chairman of the Board

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6. Report of the Chief Executive Officer

It is with great pleasure that I present the Annual Report and Financial Statements for Kenya Leather Development Council for the year ended 30th June 2025. The Council has continued to execute its mandate of driving the transformation of the leather value chain in the Country from a raw material/semi-processed export-driven sector to a finished leather product manufacturing industry. KLDC is therefore a key driver of the Bottom-Up Economic Transformation Agenda (BETA) 2022 - 2027 and Medium-Term Plan IV development goals under the manufacturing pillar.

During the FY 2024/2025, the Council has continued to facilitate a value driven and sustainable leather industry as stipulated in the BETA Plan and the establishing legal instrument, with the primary focus being the quality of leather and leather products for both local and export markets.

In the Financial Year, the Council's Final approved budget was Kshs. 689 million (Kshs. 243 million as recurrent and Kshs. 446 million as development), including previous year balances. The actual expenditure was Kshs. 542 million which translates to a positive absorption rate of 79 per cent, enabling the Council to achieve a high implementation rate for its planned activities for the financial year.

To optimize output among the staff, individual employees sign Performance Contracts (PCs) refocusing the Council to be keen on rewarding high performance while at the same time building on the values of the Council. Employee engagement remains a key priority going forward as we aim to improve on the culture of our work environment. We aim to build a dynamic Council which supports our strategy and growth and to achieve this end, the Council continues to invest in proper and efficient operational systems aimed at optimizing performance and capturing opportunities. The realization of these dreams has seen the Council to progressively grow its human resource base as well as acquire an Enterprise Resource Planning (ERP) tool to enhance productivity and efficiency of internal operations during the year. The Council's staff have been trained by the National Council for Competitiveness and Productivity, which training is aimed at enhancing the employees' and Council's productivity.

During the year under review, the Kenya Leather Development Policy which is intended to provide a dedicated roadmap for the short-term and long-term development of the leather industry was launched.

I am also pleased to report that a remarkable progress has been made in the construction and/or

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implementation of the enabler components at the Kenya Leather Industrial Park, Kenanie, Machakos County. However, lack of sufficient funding from the National Treasury has led to frequent delays in the construction of the road, among other components.

Further to the above highlighted developments, the construction of modern state-of-the-art leather industrial warehouses measuring 5,000 square meters and 2,500 square meters for tanneries and leather products manufacturing, for 'plug and play' are respectively, 97% and 100% complete. Meanwhile, other government enabler agencies (Roads, Power, Water, and ICT) have fast-tracked implementation of their respective components towards realization of the park. The Security component is yet to commence. During the year under review, the Council commenced construction of 1No. Administration Block and Associated Infrastructure and 1No. Training Centre and Laboratory Block and Associated Infrastructure, which are at 15% and 10% completion, respectively.

The Council's five-year Strategic Plan for the period FY 2022/23 – 2026/27 which has enhanced objectives with regard to strengthening the Council and conquering local and international markets was launched on 5th December, 2024.

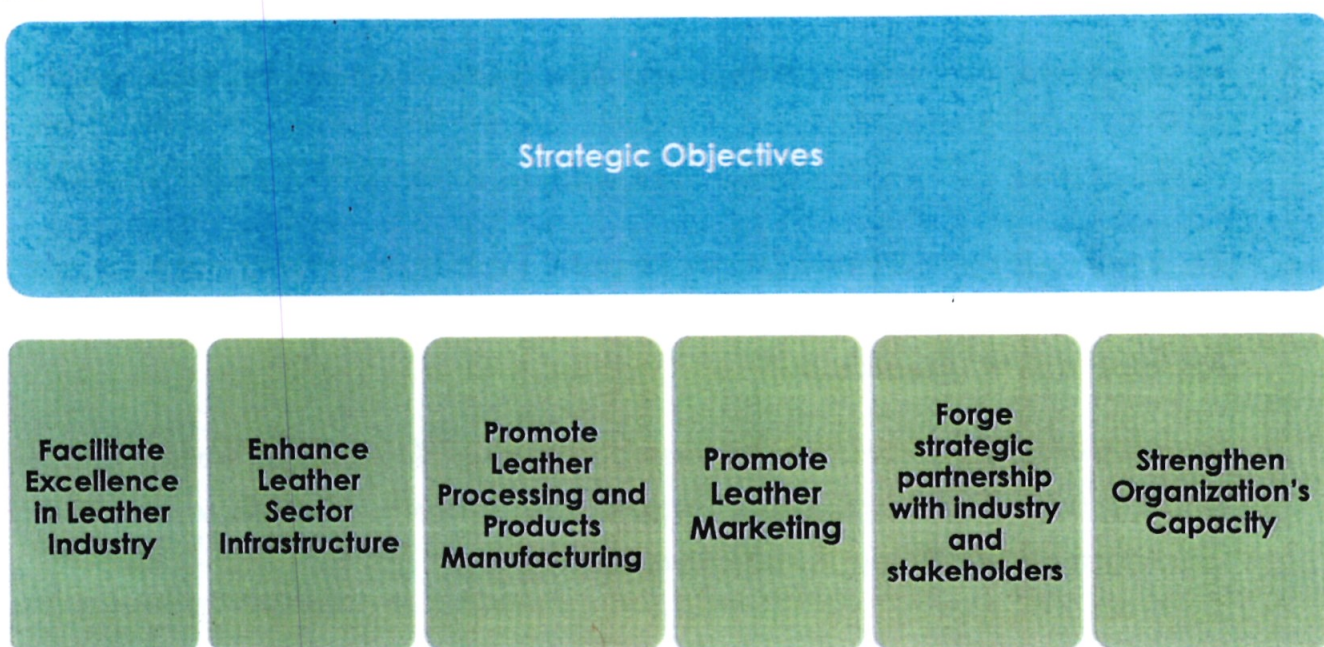
I thank the Board of Directors for their leadership and guidance throughout the year and the members of staff for their commitment towards achievement of the set targets. I also thank our stakeholders for their support and look forward to cordial working relationship.



Mr. Jimmy Odhiambo
Ag. Chief Executive Officer

7. Statement of Performance against Predetermined Objectives for FY 2024/2025

The Council's activities and projects are in pursuant of realizing the six strategic objectives of the new five-year strategic plan 2022 – 2027 and the national objective of transforming the leather industry into an internationally competitive regional leather and leather products manufacturing hub through the Bottom-up Economic Transformation Agenda (BETA). Each strategic objective addresses particular requirements for continuous improvement of performance of the leather sector at raw material production, leather processing and product manufacturing. These strategic objectives are:



In the drive towards the realization of these objectives, the Council is implementing various projects and programs that inform the planning of the annual activities. The planned activities for each year build on the achievements of the preceding year as well as lessons learned or any new dynamic that came into play in the course of the year.

The current projects and programs include: -

- i) Development of the Kenya Leather Industrial Park in Kenanie, Machakos County.
- ii) Establishment of a Common Manufacturing Facility (CMF) at Kariokor, Nairobi County.
- iii) Upgrading of Training and Production Centre for Shoe Industry (TPCSI) at Thika, Kiambu County.
- iv) Development of national leather policy.
- v) Hides and skins quality improvement program.

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During the Financial Year 2024/2025, issues of quality of hides and skins were identified as a major challenge in the development of the sector and the Council initiated the development and implementation of a national program for quality improvement.

Apart from the interventions under the strategic objectives, other emerging dynamics affected the performance of the sector. During the year, the national election of the previous year and post-election challenges and economic slowdowns had negative effects on the sector resulting in low revenue collections across all quarters that arose from poor consumption of leather products. This reduced the country's main exports of wet-blue/crust leather affecting the local raw hides and skins supply systems due to reduced prices.

The Council achieved its performance targets set for the FY 2024/25 period for its four strategic pillars as indicated in the table below while the targets for the other two pillars to be set in the next financial year 2024/25:

Statement of Council Performance against strategic objectives

The strategic Plan which ended had four strategic objectives while the new plan for FY 2022/2023 – 2026/2027 has been revised to six. In FY 2024/2025, the performance presented herein reflect the earlier six strategic objectives as shown below:

- Pillar /theme/issue 1: Facilitate excellence in the leather sector
- Pillar/theme/issue 2: Enhance Leather Sector Infrastructure
- Pillar/theme/issue 3: Promote Leather Processing and Product Manufacturing
- Pillar/theme/issue 4: Promote Market Development
- Pillar/theme/issue 5: Development of national leather policy.
- Pillar/theme/issue 6: Hides and skin quality improvement programme

The Council develops its annual work plans based on the above 6 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Council achieved its performance targets set for the period for its 6 strategic pillars, as indicated in the table below:

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Table 1.0: Statement of Council Performance against strategic objectives

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
1. Facilitate Excellence in Leather Industry	Development of a national leather policy	Final draft policy	Finalization of publication of national leather policy	Policy approved and published
	Quality improvement across the value chain (hides, skins, leather & leather products)	No. of sector players trained	Training of: • Flayers – 250 • Traders - 180 • MSMEs - 100	Training of: • Flayers – 437 • Traders - 100 • MSMEs - 136
2. Enhance Leather Sector Infrastructure	Provide a modern Common Effluent Treatment Plant (CETP)	% Completion	Construction of a CETP and other related works	95% Complete and at testing stage
	Establish four (4) plug and play industrial warehouses	% Completion	Construction of 4 industrial warehouses (2 of 2500SM & 2 of 5000SM)	97% complete
	Construction of administration block	% Completion	Construction of 1 training and laboratory block and associated infrastructure	5% Complete
	Construction of laboratory and training centre	% Completion	Construction of 1 administration block and associated infrastructure	5% Complete
3. Promote Leather Processing and Product Manufacturing	Optimize MSMEs utilization of Kariokor Common Manufacturing facility	No of MSMEs utilizing the facility	500 MSMEs accessing the facility	380 facilitated to access the facility
	Review of Training and Production	Reviewed curriculum	Curriculum review	Curriculum reviewed,

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	Centre for Shoe Industry (TPCSI) Curriculum			approved by the Board and is being implemented
	Optimize Training capacity at TPCSI	No. of trainees No. MSMEs accessing the CMF at the Centre	No of trainees-12 No of MSMEs Facilitated-100	No of trainees- 20 No of MSMEs Facilitated-82
4. Promotion of Leather Marketing	Enhance access to markets	No of MSMEs promoted through KLDC website	Promote MSMEs through KLDC website	11 MSMEs Promoted
		No. of shows/trade fairs and MSMEs facilitated to attend	Participate in one (1) trade fair	Participated in Four (2) trade fairs and 11 MSMEs facilitated
5. Launch the Kenya Leather Development policy.	To enhance the activities of leather sector	Reports on the launching of policy	Participate in launching of leather policy	Kenya Leather Development policy launched

8. Corporate Governance Statement

The principal mandate of the Kenya Leather Development Council (KLDC) is leather industry development. The Council discharges its mandate in accordance with the provisions of the Kenya Leather Development Council (Order), Legal Notice No. 114 of 2011, under the State Corporations Act (Cap 446) of the Laws of Kenya. The Council’s strategic objectives are geared towards driving the transformation of the leather industry in the country.

KLDC is a key driver of the “*Bottom-Up Economic Transformation Agenda (BETA)*” for jobs creation under the manufacturing pillar of Vision 2030. The roadmap to achieve success is embedded in the Council’s Strategic Plan for FY 2022/23 - 2026/27. The strategic objectives address the key challenges facing the leather sub-sector and are aligned to the Council’s mandate. The Council’s Strategic Plan for the FY 2022/2023 - FY 2026/2027 was launched on 5th December, 2024.

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The Council is parented by the Ministry of Agriculture and Livestock Development, under the State Department of Livestock Development (SDL D). The Board is the apex organ and was constituted by the appointment of Capt. Mohamed A. Adan as the Chairman of the Board with effect from the 5th April, 2023 and the appointment of the following seven independent Directors on the same date, and one more a month before;

- i. CPA Michael K. Nyangi;
- ii. Ms. Florence C. John;
- iii. Ms. Regina N. Muthami;
- iv. Mrs. Esther N. Njoroge;
- v. Mr. Peter Gathii Reuben;
- vi. Dr. Moses Oude Amoo and,
- vii. Mr. David K. Rotich

The Board underwent training organized by the Institute of Certified Secretaries – Kenya that covered various governance issues. The training has equipped the Board to understand and uphold the principles of good governance, and their role and responsibilities. It has also equipped the Board with knowledge to discharge their oversight role as envisaged in the provisions of Section (15) of the State Corporations Act (Cap 446) of the Laws of Kenya and the Council’s enabling legal instrument. The Section provides that the Board shall be responsible for the proper management of the affairs of a State Corporation and shall be accountable for the moneys, financial business and management of the entity.

The Board delegates its roles to the Council’s management led by the Chief Executive Officer who is the accounting officer. He is accountable to the National Assembly in accordance with Section (68) of the Public Finance Management (PFM) Act of 2012, in ensuring that the public resources are used in a way that is lawful and authorised; effective and efficient; and economical and transparent.

Corporate Governance Principles

In pursuit of its corporate objectives, the Council is committed to the highest level of good governance. The Council strives to foster a culture that upholds the Constitution of Kenya; values and

rewards exemplary performance within clear ethical standards; and upholds corporate integrity, respect for all and safeguard of national interests.

The Board discharges its role and functions in compliance with the enabling legal instrument, the State Corporations Act and the requirements contained in *Mwongozo*, the Code of Governance for State Corporations and all other applicable laws, rules and regulations. *Mwongozo* identifies the roles and functions of the Board which should be exercised collectively. The roles and functions include determination of the organization's vision, mission, purpose and core values; to set and oversee the overall strategy and approve policies of the Council; approve the annual budget; monitor the organization's performance and ensure sustainability; hire the CEO and approve the appointment of senior management staff; and ensure effective communication with stakeholders.

The Board governs the Council in accordance with the Council's business strategy reflected in the Council's values of transparency and accountability, professionalism, honesty and integrity, teamwork, social responsibility, creativity & innovativeness, customer focus, and environmental sustainability, all contributing to the commitment to a high-quality governance system.

Constitution of the Board of Directors

The Chairperson of KLDC is appointed by the President of the Republic of Kenya. The Principal Secretary of the Parent Ministry and National Treasury appoint one alternate each to the Board. The Cabinet Secretary (CS) of the Parent Ministry appoints seven (7) independent Board members and the CEO is appointed by the CS upon recommendation by the Board.

Size and Composition of the Board

The Board of Directors during the reporting year consisted of the Chairperson, seven (7) independent members and two alternate members, one to the PS of the Parent Ministry and the other to the CS National Treasury. The Inspectorate of State Corporations (ISC) was not represented in the Board.

The skills matrix for the Board consists of individuals who possess extensive experience in various disciplines, which are applicable in the overall governance of the Council. The Board achieved the right balance of skills and experience necessary in decision making.

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Table 1.1: Details of the Board members during the financial year

No.	Name	Designation	Date of Appointment	Date of expiry	Term	Qualification	County
1	Capt. Mohamed A. Adan	Chairperson	05.04.2023	04.04.2026	1 st	Masters	Nairobi
2	CPA. Michael K. Nyangi	Member	05.04.2023	04.04.2026	1 st	Bachelors	Kiambu
3	Ms. Florence C. John	Member	05.04.2023	04.04.2026	1 st	Diploma	Uasin Gishu
4	Ms. Regina N. Muthami	Member	05.04.2023	04.04.2026	1 st	Bachelors	Murang'a
5	Mrs. Esther N. Njoroge	Member	24.03.2023	23.03.2026	1 st	Diploma	Nairobi
6	Mr. Johnson Mwangi	Alt. CS Treasury	17.07.2020	TBA	N/A	Masters	Nyeri
7	Mr. Peter Gathii Reuben	Member	05.04.2023	04.04.2026	1 st	Diploma	Kiambu
8	Dr. Moses Oude Amoo	Member	05.04.2023	04.04.2026	1 st	Doctorate	Busia
9	Mr. David K. Rotich	Member	05.04.2023	04.04.2026	1 st	O' Level	Kericho
10	Dr. Issack M. Noor	CEO	01.08.2021	31.07.2026	2 nd	Doctorate	Mandera
11	Mrs. Norah K. Chemirmir	Alt. PS SDLD	29.11.2023	TBA	N/A	Bachelors	Nairobi
12	Carolyne Cheruiyot	Corp. Sec.	03.07.2023	02.07.2028	1 st	Masters	Baringo

The Board conducts its business through four committees; the Finance and Governance Committee; the Technical and Strategy Committee; the Human Resource, Risk & Compliance Committee; and the Audit Committee. A Chairperson was appointed for each committee from the independent members and each director served in at least two (2) committees.

Board Evaluation and Visit to Kenya Leather Industrial Park.

The annual State Corporations Advisory Committee (SCAC) Board self-evaluation for the FY 2023/2024 was conducted on 13th August, 2024 through the State Corporations Management Information System (SCMIS) with the guidance of SCAC officers. The results of the evaluation were presented to the Board on 27th May, 2025. The overall Board performance was rated at 92.5%.

Members of the Technical and Strategy Committee of the Board visited the Park on 28th January, 2025 to appreciate the status of the works. The Board was also updated quarterly on the status of the ongoing works at Kenya Leather Industrial Park.

Board Meetings

The Board in compliance with the directives by the Public Service Commission and the guidelines by SCAC held Board committee meetings and a Full Board meeting at least once in every quarter. Special meetings were occasionally convened to address urgent matters. The Committees held one quarterly meeting except for the Finance & Governance and Human Resource, Risk & Committees, which convened for one and three special committee meetings, respectively.

The regular meetings ensured that the Board was able to exercise its oversight role, undertake continuous assessment of performance of the management and ensure alignment with the Council's strategic objectives. The committees of the Board considered the agenda in detail and made recommendations for adoption in the full Board meetings. The Directors received sufficient notice as prescribed in *Mwongozo* and board papers were shared in advance to enable them to prepare for the meetings.

Table 1.2: Board meetings held in the FY 2024/2025

MEETING	Planned No. of Meetings	Actual No. of meetings
Full Board	4	7
Finance and Governance	4	5
Audit	4	4
Human Resource and Risk Compliance	4	7
Technical and Strategy	4	4
Ad hoc Meetings	0	0

Composition of Board Committees

The Board has established four (4) standing committees that assist to discharge its functions. The committees' members during the year were as shown:

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Table 1.4: Board Committees Membership

	Name of the Committee	Members
1.	Finance and Governance	1. CPA Michael K. Nyangi - Chairperson 2. Ms. Florence John - Member 3. Ms. Esther N. Njoroge - Member 4. Mr. Johnson Mwangi - Member 5. Mr. David K. Rotich - Member 6. Dr. Issack M. Noor - CEO 7. Ms. Carlyne Cheruiyot - Corp Secretary
2.	Audit	1. Ms. Regina N. Muthami - Chairperson 2. Dr. Moses Amoo - Member 3. Mr. Peter G. Gathii - Member 4. Mr. Johnson Mwangi - Member 5. Mr. Dan Kachuwai - Ag. PIA/Secretary
3.	Human Resource and Risk Compliance	1. Ms. Florence C. John - Chairperson 2. Dr. Moses O. Amoo -Member 3. Ms. Regina N. Muthami -Member 4. Ms. Norah K. Chemirmir - Member 5. Dr Issack M. Noor -CEO/Secretary 6. Ms. Carlyne Cheruiyot -Corp. Secretary
4.	Technical and Strategy	1. Mr. Peter G. Reuben - Chairperson 2. Mr. David Rotich - Member 3. Ms. Esther N. Njoroge - Member 4. CPA Michael K. Nyangi - Member 5. Ms. Norah K. Chemirmir - Member 6. Dr Issack M. Noor - CEO/Secretary 7. Ms. Carlyne Cheruiyot – Corp. Secretary

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Financial Management

During the FY 2024/2025 the Board's financial management was executed by the CEO.

The Board on the recommendation of the Finance & Governance Committee, considered, deliberated, gave directions, amendments and approved the quarterly financial statements that were submitted to National Treasury.

The Board acknowledges the need for strategic partnerships and encourages the participation of the private sector in our financial matrix. The pressing needs for additional financing to complete the ongoing projects and the clear need for transparency makes engagement with and reporting to the government and other stakeholders critical. The increasing requirement for prudent financial management has heightened the level of interest in the Council's approach to risk management and assurance.

The Council incurred a total expenditure of Kshs. 16.14 million in facilitating the Board meetings and activities which includes the statutory gross monthly honorarium of KShs. 87,000 paid to the Chairman.

Table 1.5: The Board gross expenditure

DIRECTOR	HONORARIA	SITTING	DSA	MILEAGE	TRAINING	MEDICAL	OTHER EXPENSES	TOTAL
Capt. Mohamed A. Adan	1,044,000	340,000	153,600	40,000	69,600	80,000	-	1,727,200
Dr. Moses Amoo	-	440,000	655,000	280,000	80,000	80,000	-	1,535,000
Ms. Florence John	-	540,000	748,000	300,000	149,600	80,000	-	1,817,600
Mr. David Rotich	-	380,000	618,600	260,000	80,000	80,000	-	1,418,600
Mr. Rueben Gathii	-	400,000	562,000	140,390	149,600	80,000	-	1,331,990
Ms. Norah Kandie	-	420,000	90,800	20,000	80,000	80,000	-	690,800
Ms. Esther Njoroge	-	420,000	620,600	124,604	80,000	80,000	-	1,325,204
Ms. Regina Muthami	-	520,000	764,200	162,038	149,600	80,000	-	1,675,838
Mr. Johnson Mwangi	-	360,000	86,800	20,000	80,000	80,000	-	626,800
CPA Michael Nyangi	-	500,000	689,400	61,984	69,600	80,000	-	1,400,984
Other Board Expenses	-	275,000	348,800	20,000	139,200	-	1,806,684	2,589,684
TOTAL	1,044,000	4,595,000	5,337,800	1,429,016	1,127,200	800,000	1,806,684	16,139,700

9. Management Discussions and Analysis

This annual report captures the overall performance of the Council based on its key interventions and performance indicators in line with the performance contract. The report highlights the operational and financial performances, challenges in relation to performance management and major risks carried out during the year.

A. The Council’s operational and financial performance

The Council continues to deliver on its key mandate of undertaking leather sector development and promotion of the leather value chain. The operations of the Council are based on the draft strategic plan 2022-2027 and the performance contract. Presented below are the discussion and analysis of Council performance for the period under review:

i) Financial Performance

The overall financial performance of the Council was more than optimal compared to previous financial year. There was significant increase in expenditure due to increase in operationalization of the Council as a result of placement of the key personnel. The Comparative analysis of revenue and expenditure in the last two years are as presented below:

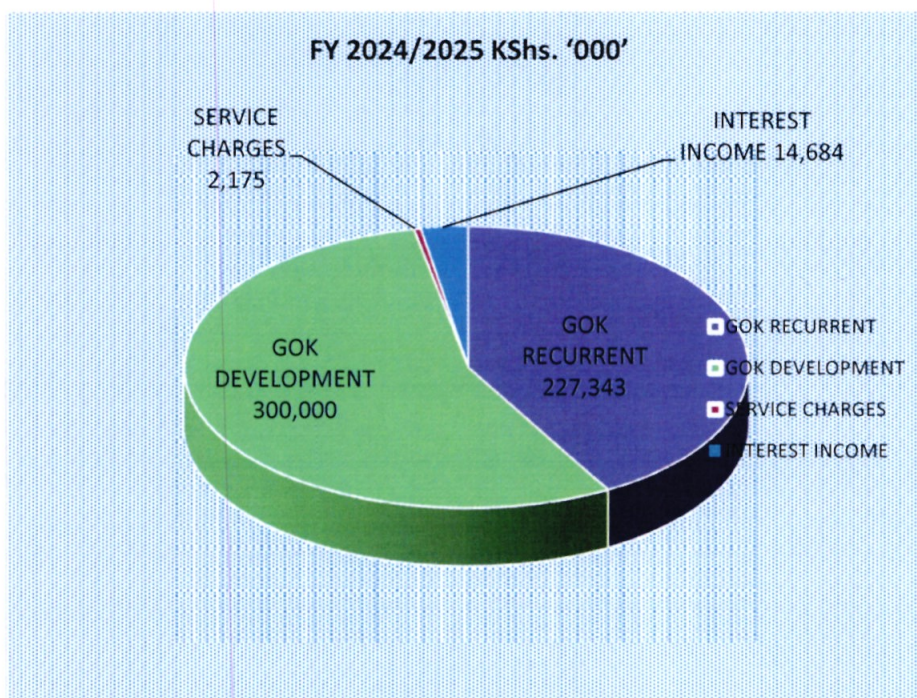


Figure 1.1: A graphical presentation showing income trends over the period 2024/2025

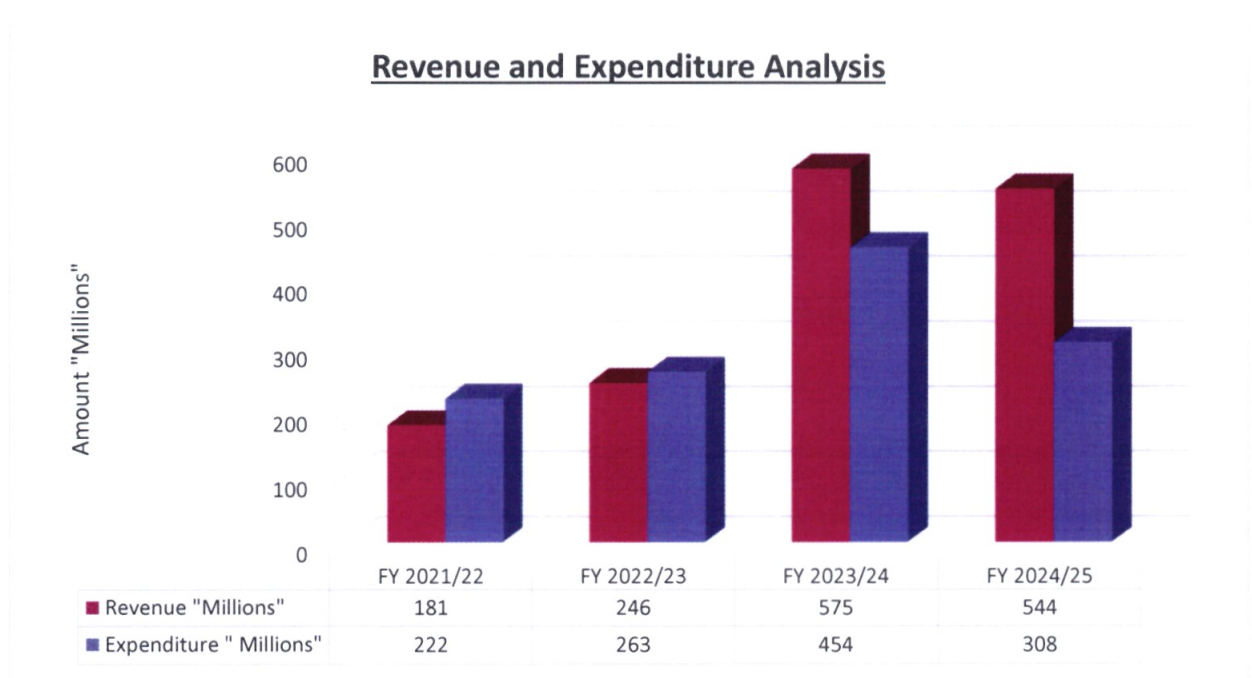


Figure 1.2: Revenue and expenditure trends over the period 2021/22 to 2024/25

During the period under review, a revenue of **Kshs.544 million** was received and raised against an expenditure of **Kshs. 308 million** resulting in an operational surplus of Kshs. 236 million.

ii) Operational Performance

The overall weighted aggregate performance score for Council in FY 2023/24 was 80% which is in the range of good. The summary of achievement is as presented in the figure 1.3 below:

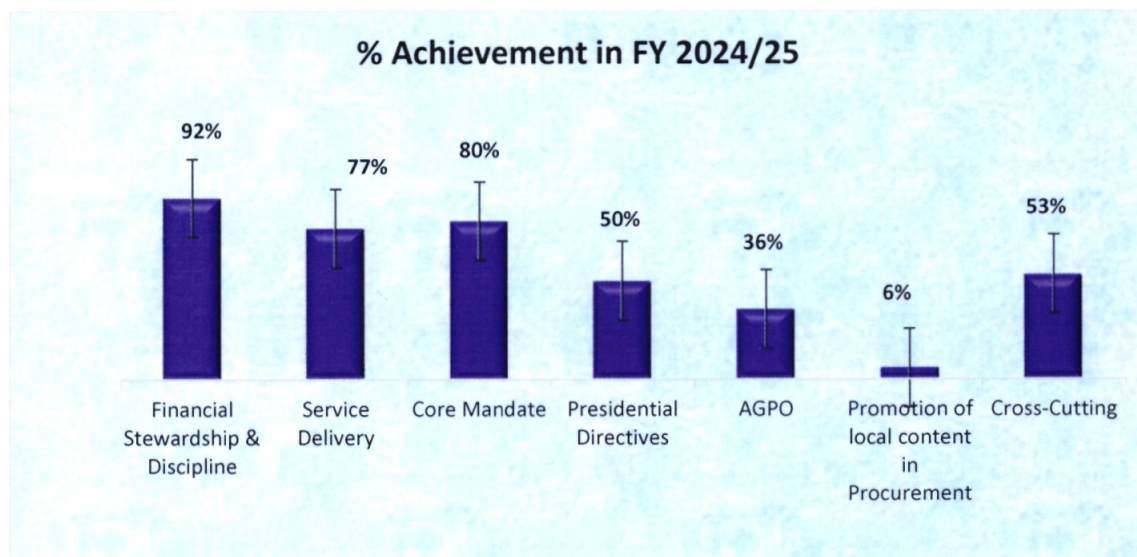


Figure 1.3: A graphical presentation of operational performance for FY 2024/25

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B. Council's compliance with statutory requirements

During the year under review, the Council complied with all its statutory obligations including compliance to public procurement regulations, remittance of PAYE, AHL, SHIF, NSSF, NITA and HELB within the stipulated deadlines. KLDC Board commits to implement internal control mechanisms in line with the Ethics and Anti-Corruption Commission Act No. 22 of 2011 and Leadership and Integrity Act of 2012. The Council does not foresee any potential for contingent liabilities arising from non-compliance with statutory obligations.

C. Key projects and investment decisions the Council is planning/implementing

The Council plans to continue implementing its projects as per the current draft Strategic Plan 2023-2027. During the financial year, the Council undertook the following projects:

i) Kenya Leather Park

The Ministry of Investments, Trade and Industry and the Ministry of Agriculture and Livestock Development, through Kenya Leather Development Council (KLDC) and Export Processing Zones Authority (EPZA), continued the development of Kenya's first Leather Park at Kenanie, Machakos County. KLIP aims to boost local production of leather and leather products by creating a dedicated industrial park. It's strategically located and includes essential infrastructure like the Common Effluent Treatment Plant (CETP) and industrial warehouses. The completion status of key infrastructure components and the allocation of funds for FY 2024/25 indicate substantial progress.

KLIP directly supports the mandate of promoting industrial growth and enhancing the leather sector's competitiveness. The involvement of multiple ministries and agencies underscores government commitment.

The ongoing engagement of government enablers (roads, power, water, ICT, security) suggests a holistic approach to sustainability. Economic sustainability will depend on operational efficiency and market demand for leather products.

KLIP is situated on 500-acre plot and will consist of various industries and services to promote the growth of the leather sector in the country. The ongoing works are at different levels of completion as follows;

- Fencing of the 500-acre Leather Industrial Park complete.

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- Construction of Common Effluent Treatment Plant (10.5MLD, 2.5MLD and reticulation) - ongoing and 90% complete.
- Construction of 2NO. 5000 SM and 2500 SM industrial warehouses for tanneries and leather goods manufacture are ongoing at 95%.
- Construction of 1NO. training and laboratory block and associated infrastructure.
- Construction of 1NO. administration block and associated infrastructure.

In FY 2024/25, the project was allocated Ksh. 300 million and so far, the Council has received all the funds during the last two quarters of the year. The overall certified works is at 95% complete. Meanwhile, other government Enablers (Roads, Power, Water, ICT and Security) are fast-tracking their contribution towards realization of the park.

ii) Kariokor Common Manufacturing Facility

The facility is a hub for leather and leather products manufacture, benefiting over 6,000 entrepreneurs/employees. Upgrades include technology and skills development, supported by MoU with Nairobi County Government. This project directly supports local manufacturing and entrepreneurship in the leather sector, aligning with the council's mandate to enhance production capabilities and quality standards. The growth in services and revenues indicates operational success and sustainability will be achieved on continued support for technology upgrades, skills development and market access for products.

iii) Upgrading of Training and Production Centre for Shoe Industry (TPCSI)

TPCSI focuses on skills development and providing common manufacturing facilities for MSMEs in the leather sector. Government funding and procurement of modern equipment highlight commitment and fostering Council Mandate through enhancing skills and production capacities directly supporting the development of the leather sector and create employment opportunities. Full government funding will support operational sustainability and success will be hinged on the effectiveness of skill transfer and utilization of modern equipment by MSMEs.

iv) Replication of Common Manufacturing Model in the Counties

Mapping and replicating common manufacturing models in various counties which include Nakuru, Malindi, Eldoret, Kisumu, Meru and Mombasa aim to decentralize industrial growth. Identified

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counties offer potential expansion opportunities and scaling the common manufacturing model and aligns with the council's mandate to promote sectoral growth nationwide and enhance regional economic development. Successful replication will depend on local governance support, market demand and infrastructure development in targeted counties. Sustainability will hinge on local buy-in and operational efficiency.

Overall, these projects show significant promise in fostering the council's mandate by enhancing industrial growth, promoting local manufacturing and supporting entrepreneurship in the leather sector. Sustainability will depend on effective infrastructure development, ongoing support for skills enhancement, market demand for leather products and local governance commitment in replicated models.

D. Major risks facing the Council and mitigation measures

KLDC faces the following challenges among other uncertainties;

Financial Risk

Insufficient funds due to budget cuts and inadequate allocations, affecting the Council's ability to meet financial obligations and deliver business targets.

Mitigation Measures:

1. Lobbying for Increased Funding:

The Council will engage with the State Department and National Treasury to advocate for increased budget allocations, and build a strong case highlighting the essential role of KLDC in the leather industry and its economic impact.

2. Diversification of Funding Sources:

Complete the Kenya Leather Industrial Park to attract private investments and partnerships, and explore other sources such as grants, partnerships with international organizations and revenue-generating initiatives.

Legal Risk

The Council's Regulatory and policy framework lacks sufficient enforcement, potentially leading to compliance issues and proactive regulatory enforcement.

Mitigation Measures:

Advancement of Policies:

Continue collaborating with the State Department of Livestock Development and other stakeholders to strengthen the legal and regulatory framework, and monitor progress on the implementation of Kenya Leather Development Policy to ensure compliance and adapt to regulatory changes.

Succession Risk

Key personnel turnover and contract expirations leading to skill gaps and operational disruptions.

Mitigation Measures:

1. Succession Planning:

The Council has developed and implemented a comprehensive succession plan identifying critical roles and potential successors, and prioritize knowledge transfer and mentoring programs to mitigate skill gaps caused by personnel changes.

2. Timely Recruitment:

Ensure proactive recruitment processes are in place to fill vacancies promptly and maintain operational continuity.

Restructuring Risk

Government-mandated restructuring causing disruption, morale issues among employees, and stakeholder resistance.

Mitigation Measures:

1. Alignment with New Mandate:

Proactively align business objectives, strategies and operations with the new mandate and goals set during restructuring.

Engage with stakeholders to communicate the benefits and rationale behind the restructuring.

2. Change Management:

Implement robust change management strategies to address employee morale issues and resistance.

Provide training and support to employees to adapt to new systems and processes effectively.

By addressing these risks with proactive mitigation measures, KLDC will enhance its resilience and operational effectiveness amidst the challenges it faces.

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E. Material arrears in statutory/financial obligations

During the period under review, the Council has no any material arrears in statutory deductions or any historical pending bill.

F. The Council's financial probity and serious governance issues

The Audit Committee of the Board and the Auditor General regularly review the Council's internal control systems to ensure accuracy of financial reports, efficiency and effectiveness of operations and compliance to rules and regulations. In FY 2024-2025, the Council strictly adhered to the code of ethics especially being honest in all financial matters including those relating to collections and its funding. The oversight bodies have not reported any financial improbity or any governance issues.

10. Environmental and Sustainability Reporting

The Council exists to transform lives through the mandate of driving the transformation of the leather value chain in the Country from a raw material/semi-processed export-driven sector to a finished leather and leather products manufacturing industry. The strategic objectives guide the Council to deliver on its mandate. Below are outlines of the Council's policies and activities that promote sustainability:

a) Sustainability strategy and profile

The Council is a state corporation established under the Kenya Leather Development Council Order, 2011 (Legal Notice No. 114 of 9th September, 2011) with its functions spelt out to drive the government's agenda on the development of leather industry. The Council espouses the principles relating to public finance, bill of rights, national values as well as principles of good governance, to the extent that they apply to Public Financial Management (PFM). KLDC plays a significant role in promoting and advancing accountability, development, service delivery and equity through its activities and policy recommendations. The Council was established to provide an objective and independent framework for regulation and facilitation of industry growth. To this end, the Council has managed to sustain its operations using the annual Exchequer allocations. Further, it supplements the GoK funding with its internally generated income for services at TPCSI, Thika and Kariokor Common Manufacturing Facility (CMF) from time to time besides prioritizing expenditure on need basis and in line with its core mandate.

All over the world, overexploitation of natural resources required to achieve economic growth and development has had negative impacts on the environment while also causing these resources to become scarcer and costlier. Commitment to develop three quarters of Kenya's semi-arid land area to support beef ranching leads to increased livestock products. Value addition of these products impacts positively on economic and community social status. In Kenya, the meat processing plants are on the increase to support the meat value chain. The Council supports the development of hides, skins and leather value chain within the country.

b) Environmental Performance

Environmental performance at the Council is guided by the Environmental Management and Coordination Act, which informed the establishment of National Environmental Management Authority whose mandate is to support Institutions on environmental matters. The Council, as a State Corporation, complies with this Act and supports NEMA in meeting its core mandate. This is seen in the way the Council disposes waste as well as discourage the use of plastic bottles in its offices and working leather facilities.

KLDC supports and advocates for an enabling environment that supports industrialization and job creation in Kenya. Competitive and sustainable local manufacturing calls for adequate, reliable and affordable factors of production. These are anchored on its sustainable policies to ensure that it meets the needs of the current generation without jeopardizing the lives of future generations. The council's interventions in support to the private sector by developing infrastructure specifically Common Effluent Treatment Plant at the Kenya Leather Industrial Park is aimed to improve environmental performance in terms of efficiency in resource utilization, recycling and reduction of pollution, waste and emissions.

c) Employee welfare

The Council has a Human Resource Policy and Procedures Manual guiding recruitment and selection, terms and conditions of employment and retention strategies. The manual provides for affirmative action e.g. age, gender, regional balances, ethnicity and persons living with disabilities. The Council promotes gender and disability mainstreaming and handles staff grievances in line with the requirement of the manual. The Council also adheres to Article 234 (1) (g, h, i), (2) (b), of the Constitution, Section 5 (3 a and b) of the Employment Act 2007 and Section 36 (c) PSC Act 2017 guiding the hiring process.

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The Council has a Performance Management Policy in place which details the appraisal, rewards and sanctions system. The Council also carries out a Training Needs Assessment every year and recommends staff for competency development. The Council is in compliance with Occupational Safety and Health Act of 2007, OSHA. In addition, the Council has a Group Personal Accident cover for all employees.

d) Market place practices

Market places' most important value proposition is to deliver the quality demanded to providers and high-quality supply to buyers in the most efficient and effective manner. The COVID pandemic and the recent push for digitization of all government services has changed the normal marketing systems and caused shoppers to flock online. It's been an unprecedented opportunity for e-commerce brands, but it has not been without its challenges. One of the biggest and hardest to overcome is the growing importance of a brands' handling of customers' data and privacy.

i. Responsible competition practice

Kenya Leather Development Council procurement function has an established system of competitive and responsible business practices anchored on the Kenyan Constitution 2010, the Public Procurement and Asset Disposal Act 2015 and the Public Procurement and Asset Disposal Regulations 2020. The Council maintains a corrupt free, a non-political and competitive procurement system. Towards this end, the Council:

- Advertises for procurement opportunities through the print media (MyGov) and further publishes the available procurement opportunities in the Governments' public procurement information portal; **tenders.go.ke**, its website; **www.kldc.go.ke**, E-Citizen and noticeboards within the institution. Open tendering is the preferred method of major procurement opportunities in the Council.
- The Council enforces the requirement on preference and reservation schemes for the critical sectors of the society by offering at least 30% of procurement opportunities to the Youth, Women, Persons Living with Disabilities (PWDs) and marginalized suppliers though on an open and competitive process.
- The Enforcement of Local Content (Buy Kenya Build Kenya) purchases ensures that at least 40% of all procurement opportunities is allocated to local suppliers. This promotes competition for local goods and services and thus the growth of the local industry.

- Prequalification and registration of suppliers is done through open advertisement where all potential suppliers are given an opportunity to participate. The Council ensures that the qualified suppliers are registered in the various categories of suppliers. The list gives exclusive preference to the Youth, Women, PWDs and the marginalized groups for specific procurements to ensure inclusivity and equity. The prequalification list is published on the Council's website for openness and public information.
- To ensure that the pricing for goods, works and services are within the market trends, the Council conducts market surveys and further seeks professional advice from experts depending on the procurement needs.

ii. Responsible Supply Chain and Supplier Relations

The Council maintains a responsible supply chain and supplier relations through various interventions. These include:

- The Council makes prompt payment to its suppliers once the goods, services and works have been certified. There are no pending invoices from previous contracts.
- The Council at all times offers contracts and LPO(s)/LSO(s) to its suppliers to signify contractual obligation between the two parties. The Council has at no time breached any of its contractual obligations with its suppliers.
- The Council ensures that there is a cordial relationship with its suppliers through an open customer service line during working hours and a procurement email where suppliers engage the Council on procurement issues.

iii. Responsible marketing and advertisement

Kenya Leather Development (KLDC) ensures responsible marketing as an approach that ensures the MSME's are not only meeting customers' needs but also having a positive impact on them and the community they're part of. For Micro, Small and Medium Enterprises' (MSMEs') leather products, the Council maps them to get data on their particulars such as their contact details, the quality of their products and their production volume capabilities. KLDC then connects consumers with the mapped and approved MSMEs by placing product photos and contact details in their website.

iv. Product stewardship

KLDC promotes environmental management strategy by engaging its MSMEs on product after sales strategy such as whoever designs, produces, sells, or uses a product takes responsibility for minimizing the product's environmental impact throughout all stages of the products' life cycle,

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including end of life management. The greatest responsibility lies with whoever has the most ability to affect the full life cycle environmental impacts of the product.

11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the Council's affairs.

i) Principal activities

The principal activities of the Entity are (continue to be):

1. To provide advisory services to the Cabinet Secretary on matters relating to processing of and trade in hides, skins, leather and leather goods for planning purpose;
2. To promote, direct, coordinate, regulate, and harmonize all activities in the leather subsector;
3. To oversee licensing in the leather subsectors;
4. To undertake research and development activities in the leather industry;
5. To Enforce compliance with set standards in collaboration with other relevant institutions in the industry.
6. To Mobilize technical and financial support for the leather subsector.
7. To Collect, store, analyse, and disseminate data on leather.
8. To Perform any other function, as the Cabinet Secretary may consider necessary.

ii) Results

The results of the Entity for the year ended June 30, 2025, are set out on page 1.

iii) Directors

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

Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Council is not a regulatory authority and did not make any surplus during the year and hence no remittance to the consolidated fund.

iv) Auditors

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

By Order of the Board



.....
Ms. Carolyne Cheruiyot
Corporation Secretary.

12. Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and the State Corporation Act (Cap 446), require the Directors to prepare financial statements in respect of the Council, which give a true and fair view of the state of affairs of the Council at the end of the financial year/period and the operating results of the Council for that year/period. The Directors are also required to ensure that the Council keeps proper accounting records which disclose with reasonable accuracy the financial position of the Council. The Directors are also responsible for safeguarding the assets of the Council.

The Directors are responsible for the preparation and presentation of the Council's financial statements, which give a true and fair view of the state of affairs of the Council for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Entity; (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 Council; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the Council's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporation Act (Cap 446). The Directors are of the opinion that the Council's financial statements give a true and fair view of the state of the Council's transactions during the financial year ended June 30, 2025, and of the Council's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Council, which have been relied upon in the preparation of the Council's financial statements as well as the adequacy of the systems of internal financial control.


In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern. Nothing has come to the attention of the Directors to indicate that the Council will not remain a going concern for at least the next twelve months from the date of this statement.

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Approval of the financial statements

The Council's financial statements were approved by the Board on 21st AUG. 2025 and signed on its behalf by:


.....
Capt. Mohamed A. Adan
Chairperson of the Board/Council


.....
Mr. Jimmy Odhiambo
Accounting Officer

REPUBLIC OF KENYA



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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA LEATHER DEVELOPMENT COUNCIL FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Leather Development Council set out on pages 1 to 44, which comprise of the statement of financial position as at 30 June, 2025, and the statement of statement of financial performance,

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

In my opinion, except for the 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 Kenya Leather Development Council at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Employee Cost

The statement of financial performance for the year under review reflects employee cost amount of Kshs.132,051,797 which includes salaries and wages amount of Kshs.100,276,640. However, computation of salaries and wages paid as per the master roll provided for audit verification reflects an amount of Kshs.100,022,136 resulting to unexplained variance of Kshs.254,504.

In the circumstances, the accuracy and completeness for employee cost amount of Kshs.131,985,452 could not be confirmed.

2. Unsupported Write-off of E-Citizen Receivable

The statement of financial position reflects comparative receivables from exchange transactions totalling Kshs.1,088,975 which includes E-Citizen platform balance of Kshs.874,338 as disclosed in Note 16 to the financial statements. However, the closing balance reflects as Nil. Further, Note 9 to the financial statements reflects Kshs.874,338 for E-citizen receivable which was expensed during the financial year under review. Details on the method used in writing off Kshs.874,338 for the E-citizen receivable was not provided for audit. Similarly, the approval for writing off E-citizen receivable was also not provided for audit.

In the circumstances, the accuracy and completeness of the write-off amount of Kshs.874,338 could not be confirmed.

3. Incomplete Property, Plant and Equipment Net Book Value

The statement of financial position reflects property, plant and equipment net book value of Kshs.2,497,494,768 and as disclosed in Note 19 to the financial statements. However, and as previously reported, the net book value excludes land valued at Kshs.44,000,000 where the Training and Production Centre for Shoe Industry (TPCSI) is in Thika Town, which was acquired by the Council from Kenya Research and Development Institute (KIRDI). Review of the handing over report indicated that TPCSI Campus was located on a 0.1096-hectare (0.271 acre) plot of land, as per the Trustee

Deed made on 25 February,1994 and certificate of title issued on 25 April,1996. However, the ownership documents had not been transferred to the Council as at 30 June, 2025. Further, the land value at Kshs.44,000,000 was removed from property, plant and equipment without authority from the Parent Ministry.

In the circumstances, the accuracy and completeness of the property, plant and equipment net book value totalling Kshs.2,497,494,768 and the ownership by the Council of the land on which TPCSI is located could not be confirmed.

4. Unsupported Rendering of Services Revenue

The statement of financial performance reflects rendering of services amount of Kshs.2,175,100 as disclosed in Note 7 to the financial statements. However, the Council did not maintain separate bank account and cashbook for collection of revenue. Review of records provided revealed that internally generated revenue was deposited into the Commercial Bank deposit account for retention funds.

In the circumstances, the accuracy, completeness and regularity of rendering of services amount of Kshs.2,175,100 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actuals reflects a budgeted final receipt of Kshs.689,533,845 and actual receipt on comparable basis of Kshs.540,392,467 resulting into underfunding of Kshs.149,141,378 or 22% of the budget.

Further, the statement of comparison of budget and actuals reflects finance income final budgeted receipts of Kshs.13,000,000. However, the approved supplementary budget was not provided for audit review.

The statement of comparison of budget and actual includes final budget carryover from previous year and actual comparable of Kshs.146,191,245. However, no supporting documents were provided for audit review.

In the circumstances, the accuracy and completeness of the budgeted amounts could not be confirmed.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under Report on the Financial Statements, Emphasis of Matter, Other Matter, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or given any explanation for failure to resolve them as at 30 June, 2025 as shown below:-

S/No	Financial Year	Paragraph
i	2023/2024	Irregular Payment of Meal Allowances
ii	2023/2024	Irregular Payment of Sitting Allowances
iii	2023/2024	Lack of Land Ownership Documents
iv	2023/2024	Revaluation of Fully Depreciated Assets.
v	2023/2024	Non-Compliance to a Third Rule on Salary Deductions
vi	2023/2024	Variance between Approved Staff Establishment and In Post
vii	2023/2024	Physical Security and Access to Server Room
viii	2023/2024	Lack of Creditors/Debtors policy

Other Information

Board of Directors is responsible for the Other Information set out on page iii to xlvi which comprise of Key Entity Information and Management, The Board of Directors, Management Team, Chairman's Statement, Report of the Chief Executive Officer, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities, Statement of Performance Against Predetermined Objectives). The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the entity'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 my 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.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Meet the Requisite Number of Representation of Persons Living with Disability

Review of the Council staff bio data revealed that the Council did not have staff falling under people living with disability. This is contrary to the provision of part B.23(1,2) of the Public Service Human Resource Policies and Procedures Manual, 2016 that requires that at least five (5%) of all appointments shall be for Persons Living with Disabilities. In the circumstances, the Council may have failed to deliver on its mandate as required by the guiding laws and policies.

In the circumstances, Management was in breach of the law.

2. Irregular Appointment of the Chairperson of the Board

Review of the financial statement report on the Board of Directors for the Council and personal files of Board Members revealed that the Chairperson of the Board is an expert on aviation matters. This is contrary to the Guidelines of Kenya Leather Development Council Order of 2011 which envisaged a Board Chairman with an education background in leather field and a 5-year experience in the leather industry.

In the circumstances, the Council failure to meet the qualification criteria as detailed in Kenya Leather Development Council Order, 2011 Section 4 (2) (a & b).

3. Weak Legal and Regulatory Framework

The statement of financial performance reflects Kshs.2,175,100 in respect to rendering of service as disclosed in Note 7 to the financial statements. However, the Council recorded nil revenue from licensing and enforcement services due to lack of legal and regulatory frame work. Therefore, in order to achieve the mandate, there was need to transform the Council into Regulatory Authority by providing a supportive legal frame

work contrary to Paragraph 5 and 6 of Legal Notice No. 114 dated 9 December, 2011 which requires the Council to raise such funds.

In the circumstances, Management was in breach of the Guidelines.

4. Failure to Carry out Annual Governance Audit

Review of the Council's Board minutes on governance revealed that the organization did not carry out an annual governance audit within the period under review and as such, the Board was in breach of the law. This was contrary to Paragraph 1.13 (1) Mwongozo Guidelines on the Governance Audit which provides that the Board, in consultations with the Oversight Office, should ensure that it subjects the organization to an annual governance audit by a member regulated by the Institute of Certified Public Secretaries of Kenya (ICPSK) and accredited for that purpose.

In the circumstances, Management acted contrary to Mwongozo 1.13 Guidelines by failing to subject the organization to a governance audit as prescribed.

5. Failure to Integrate Climate Change Action Plans

Review of Kenya Leather Development Council's budget, workplan and strategic document revealed that the entity did not factor in climate change policy framework in its strategic alignment and financing of climate related functions. Further, there was no dedicated budget allocation on climate change and a designated unit with adequate staff and financial resources and an appointed senior officer as head of the unit, to coordinate the mainstreaming of the climate change action plan and other climate change statutory functions within the Council. This is contrary to the National Climate Change Act, 2016, which obligates public entities to mainstream climate change measures into their operational and development plans and to allocate adequate resources to address climate resilience and adaptation.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Unprocedural Issue of Group Imprest

An audit examination of imprest surrender by Development Council officers revealed group imprest totalling Kshs.1,789,310 issued to officers contrary to Section 68 (1) of the Public Finance Management Act 2012 provides that an accounting officer for a government entity, shall be accountable for ensuring that the resources of the respective entity for which he or she is the accounting officer are used in a way that is— (a) lawful and authorized; and (b) effective, efficient, economical and transparent.

In the circumstances, the effectiveness of controls on imprests could not be confirmed.

2. Understaffed Staff Establishment

Review of the approved staff establishment, master payroll and other documents presented for audit verification in relation to employment cost revealed that the Development Council approved staff establishment had a total approved posts totalling one hundred and twenty-eight (128) staff across all ten (10) grades. Review of current postings per the Departments revealed that the State Corporation has a total of sixty-four (64) employees leading to an understaffing by sixty-four (64) employees.

In the circumstances, the optimal staff levels could not be confirmed.

3. Under Staffed Internal Audit Department

Review of the Council's approved staff establishment revealed that the Internal Audit Department is required to be headed by a Director of Internal Audit or a Deputy Director of Internal Audit, supported by a Principal Internal Auditor and a Senior Internal Auditor. However, it was noted that the Department is understaffed, with only two (2) staff members currently in place. The head of the Internal Audit Department is a Principal Internal Auditor, which is contrary to the approved structure and may affect the Department's capacity to effectively carry out its mandate.

In the circumstances, Management failed to fill key leadership positions in compliance with the approved staff establishment and governance framework.

4. Board Member's Professional Standing and Expertise

Review of Board files provided for audit revealed that the Board Members' personal files did not have any academic and professional certificates as evidence to show that they had sufficient expertise to perform their role as required and that they were in good standing.

In the circumstances, the benefits from achievement of strategic objectives could not be confirmed.

5. Under Constituted Board of Directors

The Board Members present were the legally appointed Board Members and two (2) Board Members representing The National Treasury and Parent Ministry respectively. Further, contrary to the requirements of the Executive order, the Board did not

incorporate representative from the Attorney General's Office (State Law Office) and Inspectorate of State Corporations.

In the circumstances, the Council may have failed to realize the Board's objectives due to lack of full representation.

6. Audit Committee Meetings

During the year under review, it was observed that the Audit Committee met only twice within the financial year. This is contrary to the Mwongozo Guidelines which provides that the Members should meet regularly and at least quarterly to enhance effectiveness. Audit committee being a critical Committee to be established by the Board, should be accorded adequate time and effort for meetings.

In the circumstances, this may have resulted to ineffective Audit Committee and ineffective internal audit reports.

7. Succession Planning in the Appointment of Board Members

Review of the Board of Directors list as presented in the financial statements and their appointment letters revealed that all the appointed Board Members was done on the 03 April, 2025 to serve for a term of three (3) years, thus affirming that their terms will end at the same time for all Board Members. This is contrary to the envisaged succession planning principal of staggering the appointments to enhance a phased transaction.

In the circumstances, the Board was in violation of the governing Mwongozo 1.14 guidelines on succession planning.

8. Lack of Stakeholders Communication Policy

During the year under review, it was observed that the stakeholder communication policy was not implemented. This was contrary to Regulation 19 (1) (e) of the Public Finance Management (National Government) Regulation, 2015 which requires the entity to establish and implement a system that provides necessary information to the stakeholders including stakeholder communication policy for the entity in line with Article 35 of the Constitution.

In the circumstances, the effectiveness of controls on communication could not be confirmed.

9. Lack of an ICT Policy and Information Systems

Review of entity information systems at Development Council revealed the following unsatisfactory matters;

- i. The Organization lacks an ICT policy which should define IT continuity and disaster recovery plan and a documented retention strategy of data in its operations.
- ii. The entity does not have an offsite back up for the data and thus exposing it to risk in case of a disaster. Thus, no disaster recovery measures in place.

- iii. The entity's server room is in a dilapidated state clustered with old cartons and electrical appliances which poses risk of fire.
- iv. There's no fire extinguisher in or near the server room in case of fire outbreak within the server room.
- v. The server room accessibility is not strictly controlled and the security surrounding its access can easily be breached to access the room.

In the circumstances, the effectiveness of the entity information systems might be compromised and the entity's operations are at risk of being affected in case of a disaster.

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 controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards Accrual Basis and for maintaining effective internal controls 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 controls, risk management and governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply 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 Council's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the Council's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi



18 December, 2025

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14. Statement of Financial Performance for the year ended 30 June 2025

	Notes	Period ended	Period ended
		30 th June 2025	30 th June 2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments entities	6	527,342,602	565,000,000
		527,342,602	565,000,000
Revenue from exchange transactions			
Rendering of services	7	2,175,100	2,427,394
Finance income	8	14,683,520	7,821,910
Total revenue		544,201,222	575,249,304
Expenses			
Use of goods and services	9	130,096,027	88,691,905
Employee costs	10	132,051,797	159,755,927
Board Expenses	11	16,899,675	13,784,750
Depreciation and amortization expense	12	22,747,934	23,846,824
Repairs and maintenance	13	6,090,063	2,815,586
Contracted services		-	-
Finance costs		-	-
Total expenses		307,885,496	288,894,992
Surplus/ (deficit) before tax		236,315,726	286,354,312
Taxation	14	-	-
Surplus/(deficit) for the period/year		236,315,726	286,354,312
Remission to National Treasury		-	-
Net Surplus for the year		236,315,726	286,354,312
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling Entity		236,315,726	286,354,312
		236,315,726	286,354,312

The notes set out on pages 8 to 42 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:

		
.....
Chief Executive Officer	Manager, Finance & Accounts	Board Chairman
Mr. Jimmy Odhiambo	CPA Albert Ariku	Capt. Mohamed A. Adan
	ICPAK Member Number: 5280	
Date...10/12/2025	Date...10/12/2025	Date.....

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15. Statement of Financial Position as at 30 June 2025

	Notes	Period ended 30 th June 2025	Period ended 30 th June 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	15	136,267,356	286,262,508
Receivables from Exchange Transactions	16	157,749	1,088,975
Receivables from Non-Exchange Transactions	17	201,541,443	168,052,358
Inventories	18	3,646,932	8,836,384
Total Current Assets		341,613,481	464,240,225
Non-Current Assets			
Property, Plant and Equipment	19	2,497,494,768	2,182,851,904
Intangible Assets	20	8,279,099	12,454,145
Total Non- Current Assets		2,502,773,867	2,195,306,049
Total Assets (A)		2,847,387,348	2,659,546,274
Liabilities			
Current Liabilities			
Trade and Other Payables	21	36,046,319	16,873,538
Contractor's Retention Funds	22	116,423,463	140,070,896
Total Current Liabilities		152,469,782	156,944,434
Non-Current Liabilities			
Non-Current Employee Benefit Obligation	23	-	-
Borrowings		-	-
Total Non- Current Liabilities		-	-
Total Liabilities (B)		152,469,782	156,944,434
Net Assets (A-B)		2,694,917,566	2,502,601,840
Represented by:			
Reserves		58,456,816	58,456,816
Accumulated Surplus		800,970,086	564,654,360
Capital Fund		1,835,490,664	1,879,490,664
Net Assets		2,694,917,566	2,502,601,840

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The financial statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:


.....

Chief Executive Officer

Mr. Jimmy Odhiambo

Date 10/12/2025

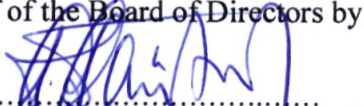

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Manager, Finance & Accounts

CPA Albert Aliku

ICPAK Member Number: 5280

Date 10/12/2025


.....

Board Chairman

Capt. Mohamed A. Adan

Date 10/12/2025

16. Statement of Changes in Net Assets for the year ended 30 June 2025

Description	Revaluation reserve	Retained earnings	Capital/ Development Grants/Fund	Total
	Kshs	Kshs	Kshs	Kshs
As at July 1, 2023	58,456,816	278,300,048	1,879,490,664	2,216,247,528
Revaluation gain		-	-	-
Surplus/ deficit for the year	-	286,354,312	-	286,354,312
Capital/development grants received during the year	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-
As at June 30, 2024	58,456,816	564,654,360	1,879,490,664	2,502,601,840
As at July 1, 2024	58,456,816	564,654,360	1,879,490,664	2,502,601,840
Revaluation gain	-	-	-	-
Surplus/ (deficit) for the year	-	236,315,726	-	236,315,726
Declassification of an asset	-	-	(44,000,000)	(44,000,000)
Capital/development grants received during the year	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-
As at June 30, 2025	58,456,816	800,970,086	1,835,490,664	2,694,917,566

Note:

1. The 44,000,000 reduction is the de-classification of land which had been recognised as an asset without having received the title to the property. This land would be recognised back in the financial statements when transfer is completed..

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17. Statement of Cash Flows for the year ended 30 June 2025

	Notes	Period ended 30 th June 2025	Period ended 30 th June 2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other governments entities		227,342,602	215,000,000
Rendering of services		2,175,100	9,374,966
Finance income		14,683,520	-
Total Receipts		244,201,222	224,374,966
Payments			
Employee Costs		148,328,872	143,303,849
Board Expenses		16,899,675	13,784,750
Use of Goods and Services		124,107,810	88,585,890
Repairs and Maintenance		6,090,063	2,815,586
Finance Costs		-	-
Total Payments		295,426,420	248,490,075
Net cash flows from operating activities	25	(51,225,197)	(24,115,109)
Cash flows from investing activities			
Purchase of Property, Plant and Equipment		(218,543,436)	(188,335,162)
Purchase of Intangible Assets		(356,987)	(3,989,864)
Release of Retention Monies		(29,869,532)	(17,690,962)
Net cash flows used in investing activities		(248,769,955)	(210,015,988)
Cash flows from financing activities			
Capital Grants		150,000,000	350,000,000
Net cash flows from financing activities		150,000,000	350,000,000
Net increase/(decrease) in cash and cash equivalents		(149,995,152)	115,868,903
Cash and cash equivalents at period Start	15	286,262,508	170,393,605
Cash and cash equivalents at Period end	15	136,267,356	286,262,508

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c*100
Budget carryovers from the previous year	146,191,245	-	146,191,245	146,191,245	-	100%
Receipts						
Transfers from Other Governments entities – Recurrent	227,342,600	-	227,342,600	227,342,602	(2)	100%
Transfers from Other Governments entities – Development	300,000,000	-	300,000,000	150,000,000	150,000,000	50%
Rendering of Services	3,000,000	-	3,000,000	2,175,100	824,900	73%
Finance Income	-	13,000,000	13,000,000	14,683,520	(1,683,520)	113%
Total Receipts	676,533,845	13,000,000	689,533,845	540,392,467	149,141,378	78%
Payments						
Use of Goods and Services	73,542,600	11,800,000	85,342,600	82,036,919	3,305,681	96%
Employee costs	139,000,000	(1,100,000)	137,900,000	132,051,797	5,848,203	96%
Remuneration of Directors	15,000,000	2,300,000	17,300,000	16,899,675	400,325	99%
Repairs and Maintenance	2,800,000	-	2,800,000	2,974,552	(174,552)	106%
Total Payments	230,342,600	13,000,000	243,342,600	233,498,942	9,843,658	96%
Capital Expenditure Payments	300,000,000	-	300,000,000	305,758,780	(5,758,780)	102%
Total Payments	676,533,845	13,000,000	689,533,845	539,682,007	149,851,838	78%
Surplus	-	-	-	710,460	(710,460)	

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Budget notes

1. Only half of the development budget was received by the close of the year with the balance becoming receivable to be received within the FY 2025/26
2. The capital expenditure was lower due to delay in disbursement of half of the development budget for the FY 2024/25
3. The surplus in budget performance differs with the one on statement of income because of accrual of 150 million disbursement expected from the State Department of Livestock development
4. Depreciation has not been factored in the budget comparison since it is a non-cash item and therefore was not budgeted for

19. Notes to the Financial Statements

1. General Information

Kenya Leather Development Council is established by and derives its authority and accountability from Kenya Leather Development Council Order, 2011 (Legal Notice No. 114 of the Kenya Gazette Supplement No. 113 of 9th September 2011). The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to regulate and facilitate the growth of the leather industry.

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 Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the KLDC's accounting policies.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, The Kenya Leather Development Council Order, 2011, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the periods presented.

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Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

There were no new and amended standards issued in the financial year.

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.*

Standard	Effective date and impact:
IPSAS 43: Leases	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. The management have considered this standard and it would affect the financial statements for the FY 2025/26 especially on assets and liabilities section of the financial statements.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. The management have considered this standard and since the Council does not hold assets for sale, it would not be impacted by this standard
IPSAS 45: Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets. The management have considered this standard and would affect the valuation of the assets of the council for the FY 2025/26
IPSAS 46: Measurement	<i>Applicable 1st January 2025</i>

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	<p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>This standard would be applied in the FY 2026/26 as appropriate and may affect the assets value reported</p>
IPSAS 47: Revenue	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>This standard would be taken into consideration when it comes into effect and may affect how revenue is reported but to a small extend since revenue from exchange transactions are very minimal in the Council</p>
IPSAS 48: Transfer Expenses	<p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>This standard would not affect reporting of the council as the Council does not deal with transfer transactions</p>
IPSAS 49: Retirement Benefit Plans	<p>Applicable 1st January 2026</p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p>The Council has contracted out management of retirement benefits and would therefore not be affected by the implementation of this standard</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p>Applicable 1st January 2027</p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.

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	<p>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</p> <p>iii. Disclosures that identify and explain the amounts in the entity’s financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</p> <p>The Council is not involved in exploration activities and therefore this standard would not affect its reporting</p>
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iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year.

Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Taxes, Levies and fines

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services, and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information

The original budget for FY 2024/25 was approved by the National Assembly on 22nd July 2024. 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.

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

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 11 of these financial statements.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Council operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are

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measured at the tax rates that are expected to apply in the period 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.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Council recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Council. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Council also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Council will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Council. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

h) Research and development costs

The Council expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Council can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale.
- ii) Its intention to complete and its ability to use or sell the asset.
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset.
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

i) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Council does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Council's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at

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fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

a) Financial assets

Classification of financial assets

The Council classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the Council classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables 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.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

b) Financial liabilities

Classification

The Council classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

j) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Council.

k) Provisions

Provisions are recognized when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Council expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

l) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The Council recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the Council will incur in fulfilling the present obligations represented by the liability.

m) Contingent liabilities

The Council does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

n) Contingent assets

The Council does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

o) Nature and purpose of reserves

The Council creates and maintains reserves in terms of specific requirements. The council's capital and revenue reserves are maintained for purpose of development projects, contingent liabilities and capital commitments that become payable. Revaluation reserves are the changes in fixed assets since the last revaluation was done.

p) Changes in accounting policies and estimates

The Council recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

q) Employee benefits

Retirement benefit plans

The Council provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the Council pays fixed contributions into a separate Entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

r) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

**Kenya Leather Development Council
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**Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)**

s) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

t) Related parties

The Council regards a related party as a person or an Entity with the ability to exert control individually or jointly, or to exercise significant influence over the Council, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

u) Service concession arrangements

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

a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

b) Comparative figures

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

c) Subsequent events

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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, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Council based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Council. Such changes are reflected in the assumptions when they occur (IPSAS 1.140)

Useful lives and residual value

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

- a) The condition of the asset based on the assessment of experts employed by the Council.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 22. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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Notes to the Financial Statements (Continued)

6. Transfers from Other Government entities

Description	Period ended 30 th June 2025	Period ended 30 th June 2024
	KShs	KShs
Unconditional Grants		
Operational Grant	227,342,602	215,000,000
Development grants	300,000,000	350,000,000
Total Government Grants and Subsidies	527,342,602	565,000,000

The funding is for implementation of the mandate of the Council. The development budget relates to the development of Kenya Leather Industrial Park in Kinanie, Machakos County

b) Transfers from Ministries, Departments and Agencies (MDAs)

Name of The Entity Sending The Grant	Amount recognized to Statement of Financial performance. *	Amount deferred under deferred income.	Amount recognised in capital fund.	Total transfers (Current FY)	Insert Comparative FY
	KShs	KShs	KShs	KShs	KShs
State Department for livestock	227,342,602	-	-	227,342,602	215,000,000
State Department for livestock	300,000,000	-	-	300,000,000	350,000,000
Total	527,342,602	-	-	527,342,602	565,000,000

Note

- i. All the 227,342,602 for recurrent expenditure had been received by the end of the Financial year
- ii. Out of the 300 million for development, only 150 Million had been received at the end of the Financial Year with the other 150 Million being an accrued income

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7. Rendering of Services

Description	Period ended 30 th June 2025	Period ended 30 th June 2024
	KShs	KShs
Service fee from TPCSI	1,281,550	1,751,955
Service fee from Kariokor CMF	893,550	675,439
Total revenue from the rendering of services	2,175,100	2,427,394

This revenue is received from customers who seek services from the common manufacturing facility and training fees from the Training and Production Centre for the Shoe Industry in Thika.

8. Finance Income

Description	Period ended 30 th June 2025	Period ended 30 th June 2024
	Kshs	Kshs
Cash investments and fixed deposits	14,683,520	7,821,910
Total finance income	14,683,520	7,821,910

Finance income is derived from interest on call deposits for money placed which are not due for immediate use. These are contractor's retention funds.

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For the year ended June 30, 2025.

Notes to the Financial Statements (Continued)

9. Use of Goods and Services

Description	Period ended	Comparative
	30th June 2025	Period
	KShs	KShs
<i>Administrative</i>		
Electricity	1,471,256	1,662,133
Water	84,889	94,482
Courier and Postage	14,400	18,900
Daily Subsistence Allowance	24,714,587	15,646,875
Printing and Stationeries	4,766,450	2,722,950
Newspaper Subscription	282,380	257,060
Advertisement, Awareness & Publicity	848,804	615,135
Office Rent	20,687,626	20,687,628
Training Expenses	7,245,476	5,211,761
Hospitality, Supplies and Services	8,666,840	4,357,123
Motor Vehicle Insurance	428,903	369,093
General Office Supplies	4,056,053	6,344,706
Security Guard Services	4,248,710	2,525,640
Sanitary & Cleaning Services	2,370,307	1,945,847
Motor Vehicle Fuel	1,839,800	1,613,526
Subscription & Membership fees	139,510	126,210
Audit Fees	464,000	464,000
Internet Connections	810,093	859,372
ERP Software Expenses	81,200	949,460
Corporate Social Responsibility	56,693	159,300
Trade shows and exhibitions	2,230,890	2,028,200
Production Materials Expenses	8,130,607	6,119,580
Bank Charges	84,623	85,074
Team Building	5,816,700	3,841,840
Strategic Plan, Business Plan & ISO Certification	1,287,480	-
Strategic Plan Expenses	5,241,915	-
E-citizen Receivable Write-off	874,338	-
Project Administration Expenses	7,668,055	-
<i>Expenses Related to the Core Mandate</i>		
Hides & Skin Quality Improvement Programme	5,867,097	2,591,190
Capacity Building for Sector Stakeholders	3,549,455	3,440,640
Promotion & Marketing	4,488,260	3,954,180
Research & Development	1,578,680	-
Total Use of Goods Expenses	130,096,027	88,691,905

There was an increase in most of the expenditure items compared to the previous financial year. This was caused by aggressive implementation of set activities. Other increase was caused by

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increased staff through recruitment necessitating increase in costs for like hospitality, general office supplies. Within the year, there was also a launch of the strategic plan that made costs to go up but was necessary.

10. Employee Costs

Description	Period ended 30 th June 2025	Period ended 30 th June 2024
	Kshs	Kshs
Salaries and wages	100,384,163	108,912,844
Employer contribution to health insurance schemes	14,752,300	16,125,287
Employer contribution to pension schemes	4,387,175	18,469,018
Gratuity	8,805,878	16,248,778
Employer NITA Levy	38,000	-
Employer Contribution to NSSF	2,186,460	-
Employer Contribution to Housing Levy	1,497,821	-
Employee costs	132,051,797	159,755,927

11. Board Expenses

Description	Period ended 30 th June 2025	Period ended 30 th June 2024
	Kshs	Kshs
Chairman/Directors' Honoraria	1,044,000	1,044,000
Sitting Allowances	4,395,000	4,406,775
Medical Insurance	799,999	973,770
Induction and Training	1,862,660	845,000
Travel and Accommodation	5,743,477	4,991,100
Mileage Allowance	1,204,230	854,590
Other Allowances	1,850,309	669,515
Total	16,899,675	13,784,750

There was an increase in the board activities due to increase in the activities of the council hence causing an increase from the previous financial year. The main increase was from travel and accommodation and also other allowances

12. Depreciation and Amortization Expense

Description	Period ended 30 th June 2025	Period ended 30 th June 2024
	Kshs	Kshs
Property, plant and equipment	18,176,236	19,465,359
Intangible assets	4,571,698	4,381,465
Total depreciation and amortization	22,747,934	23,846,824

The decrease in depreciation was as a result of decrease in the value of assets and also some assets had been fully depreciated

**Kenya Leather Development Council
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Notes to the Financial Statements (Continued)

13. Repairs and Maintenance

Description	Period ended 30 th June 2025	Period ended 30 th June 2024
	Kshs	Kshs
Motor Vehicle	2,485,651	1,440,262
Office furniture & Equipment	2,704,189	814,650
Computers, Printers & Software	900,223	560,674
Plant and Machinery	-	-
Property	-	-
Total Repairs and Maintenance	6,090,063	2,815,586

The repairs for both motor vehicles and office furniture and equipment increased substantially due to the age of some of the furniture and equipment, and also increased activities requiring more repairs on motor vehicles.

14. Taxation

Description	Period ended 30 th June 2025	Period ended 30 th June 2024
	Kshs	Kshs
Current income tax charge	-	-
Tax charged on interest income	-	-
Income tax expense reported in the statement of financial performance	-	-

The Council did not generate any income that was subject to income tax.

15. Cash and Cash Equivalents

Description	Period ended 30 th June 2025	Period ended 30 th June 2024
	Kshs	Kshs
Current account	136,266,989	286,262,141
On - call deposits	-	-
Cash in Hand	367	367
Total Cash and Cash Equivalents	136,267,356	286,262,508

The Cash decrease was due to late submission of development budget and also utilization of balance brought forward for project activities. It also decreased due to release of 30 million retention money to contractors.

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Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	Period ended 30 th June 2025	Period ended 30 th June 2024
		Kshs	Kshs
a) Current Account			
Kenya Commercial bank	1130697193	848,501	6,018,221
Kenya Commercial bank	1204365075	17,038,390	130,911,756
Kenya Commercial bank	1204364834	118,380,098	149,332,164
Sub- Total		136,267,356	286,262,141
b) On - Call Deposits			
Kenya Commercial Bank		-	-
Equity Bank – etc.		-	-
Sub- Total		-	-
c) Others (Specify)			
Cash In Hand		367	367
Sub- Total		367	367
Grand Total		136,267,356	286,262,508

16. Receivables from Exchange Transactions

Description	Period ended 30 th June 2025	Period ended 30 th June 2024
	Kshs	Kshs
Receivables		
Fuel	157,749	99,014
Motor Vehicle Insurance	-	115,623
E-Citizen Platform	-	874,338
Total Receivables from Exchange Transactions	157,749	1,088,975

The receivable from E-Citizen was written off because it was related to transaction costs deducted by E-Citizen on moneys received through the platform

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Notes to the Financial Statements (Continued)

17. Receivables from Non-Exchange Transactions

Description	Period ended 30 th June 2025		Period ended 30 th June 2024	
	Kshs		Kshs	
Kenya Leather Park Advance Payments	51,541,443		168,052,358	
Development Grant	150,000,000		-	
Less: impairment allowance	-		-	
Total receivables from non- exchange transactions	201,541,443		168,052,358	
Ageing Analysis- Receivables from non-exchange transactions	Current FY	% of total	Comparative FY	% of total
Less than 1 year	201,541,443	100%	168,052,358	100%
Between 1-2 years	-	%	-	%
Over 3 years	-	%	-	%
Total	201,541,443	%	168,052,358	%

18. Inventories

Description	Period ended 30 th June 2025		Period ended 30 th June 2024	
	Kshs		Kshs	
General office stationeries	348,200		3,636,518	
ICT Consumables	549,800		-	
Detergents, Disinfectant & Soaps	-		497,467	
Technical Materials	1,212,932		1,226,840	
Production Materials	1,536,000		3,475,559	
Less: allowance for impairment	-		-	
Total inventories at the lower of cost and net realizable value	3,646,932		8,836,384	

Most of the inventories relate to production and training materials held by the Kariokor Common Manufacturing Facility and the TPCSI

Detailed disclosure on inventories

	Period Ended 30 th June 2025
Opening balance	8,836,384
Additional Inventory in the year	12,152,724
Inventory expensed in the year	17,342,176
Write-downs in the year	-
Closing balance	3,646,932

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19. Property, Plant and Equipment

Description	Land	Buildings and civil works	Motor vehicles	Furniture and fittings	ICT Equipment	Plant and equipment	Capital Work in progress	Total
Annual Depreciation Rate	N/A	2%	25%	12.5%	30%	25%	N/A	
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 1st July 2023	44,000,000	108,057,543	40,741,392	88,156,,206	30,231,333	101,048,816	1,788,732,233	2,200,967,523
Additions during the Year	-	-	-	186,250	5,611,278	-	211,979,018	217,776,546
Disposals during the year	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
As at 30th June 2024	44,000,000	108,057,543	40,741,392	88,342,456	35,842,611	101,048,816	2,000,711,251	2,418,744,069
Additions during the period	-	-	-	-	2,922,502	-	373,896,598	376,819,100
Disposals during the period	-	-	-	-	-	-	-	-
Transfer/adjustments	(44,000,000)	-	-	-	-	-	-	(44,000,000)
As at 30th June 2025	-	108,057,543	40,741,392	88,342,456	38,765,113	101,048,816	2,374,607,849	2,751,563,169
Depreciation and impairment								
As at 1st July 2023	-	8,644,603	33,560,142	47,972,654.9	25,200,589	101,048,816	-	216,426,806
Depreciation for the year	-	2,161,151	2,393,750	10,653,490	4,256,968	-	-	19,465,359
Impairment for the year	-	-	-	-	-	-	-	-
As at 30th June 2024	-	10,805,755	35,953,892	58,626,145	29,457,557	101,048,816	-	235,892,165
Depreciation for the period	-	2,121,151	2,393,752	11,042,807	2,578,524	-	-	18,176,236
Disposals for the period	-	-	-	-	-	-	-	-
Impairment for the period	-	-	-	-	-	-	-	-
Transfer/adjustment for the period	-	-	-	-	-	-	-	-
As at 30th June 2025	-	12,966,906	38,347,644	69,668,953	32,036,081	101,048,816	-	254,068,401
Net book values								
As at 30 th June 2024	44,000,000	97,251,788	4,787,500	29,716,311	6,385,054	-	2,000,711,251	2,182,851,904
As at 30 th June 2025	-	95,090,637	2,393,748	18,673,503	6,729,032	-	2,374,607,849	2,497,494,768

Note

- i. The WIP relates to ongoing construction works in KLIP and would be capitalized to transferred to buildings once they are complete and ready for use
- ii. The adjustment on land was to correct a prior error where land, without title deed and complete transfer had been recognized in the financial statements

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Notes to the Financial Statements (Continued)

Valuation

Land and buildings/ Equipment (be specific) were valued by State Department for Public Works from the government in line with the National Assets and Liabilities Management Policy and Guidelines (issued 30th June 2020).

Property plant and Equipment includes the following assets that are fully depreciated:

Description	Cost or valuation	Normal annual depreciation charge
Plant and Machinery	101,048,816	25,262,204
Motor Vehicles including Motorcycles	-	-
Computers and Related Equipment	-	-
Office Equipment, Furniture and Fittings	-	-
Total	101,048,816	25,262,204

The fully depreciated assets would be revalued in the FY 2025/26 after the completion of the ongoing disposal process

20. Intangible Assets

Description	Period ended 30th June 2025	Period ended 30th June 2024
	Kshs	Kshs
Cost		
At beginning of the year	18,330,310	13,943,794
Additions	396,652	4,386,516
At end of the year	18,726,962	18,330,310
Additions—internal development	-	-
At end of the year	18,726,962	18,330,310
Amortization and impairment		
At beginning of the year	5,876,165	1,494,700
Amortization	4,571,697	4,381,465
At end of the year	10,447,862	5,876,165
Impairment loss	-	-
At end of the year	10,447,862	5,876,165
NBV	8,279,100	12,454,145

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Notes to the Financial Statements (Continued)

21. Trade and Other Payables

Description	Period ended 30 th June 2025		Period ended 30 th June 2024	
	Kshs		Kshs	
Supplier Related Payables	35,582,369		-	
Accrued audit fees	464,000		596,460	
Accrued SHIF Payments	-		28,300	
Accrued Gratuity Payments	-		16,248,778	
Total trade and other payables	36,046,369		16,873,538	
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	36,046,369	100%	16,873,538	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	36,046,369		16,873,538	

The contractor payments are due to delay in disbursement of development grant and would be paid early in the Financial Year 2025/26

22. Contractors Retention Funds

Description	Period ended 30 th June 2025		Period ended 30 th June 2024	
	KShs		KShs	
Kenya Leather Park	114,916,186		138,563,619	
Intangible Assets	1,507,277		1,507,277	
Total deposits	116,423,463		140,070,896	

23. Employee Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	Period ended 30 th June 2025	Period ended 30 th June 2024
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
Total Employee Benefits Obligation	-	-	-	-	-

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The Entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. 4,320 per employee per month. Other than NSSF the Entity also has a defined contribution scheme operated by County Pension Fund. Employees contribute 7.5% while the Council contribute 15% of basic salary. The Council's contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

24. Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Council is not a regulatory entity and did not make any surplus during the year and therefore no remittance to the Consolidated Fund.

25. Cash Generated from Operations

Description	Period ended 30 th June 2025	Period ended 30 th June 2024
	Kshs	Kshs
Surplus for the year before tax	236,315,726	286,354,312
Adjusted for:		
Depreciation	22,747,934	23,846,824
Capital Grant	(300,000,000)	(350,000,000)
Working capital adjustments		
Decrease in inventory	5,189,452	253,526
Decrease in receivables	931,226	(611,676)
Decrease in payables	(16,409,535)	16,041,905
Net cash flow from operating activities	(51,225,197)	(24,115,109)

26. Financial Risk Management

The Council's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Council'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 Council does not hedge any risks and has in place policies to ensure that

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credit is only extended to customers with an established credit history. The Council's financial risk management objectives and policies are detailed below:

i) Credit risk

The Council has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Council's management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2025				
Receivables from exchange transactions	157,749	157,749	-	-
Receivables from non-exchange transactions	201,541,443	201,541,443	-	-
Bank balances	136,267,356	136,307,071	-	-
Total	337,966,548	338,006,263	-	-
As at 30 June 2024				
Receivables from exchange transactions	1,088,975	1,088,975	-	-
Receivables from non-exchange transactions	168,052,358	168,052,358	-	-
Bank balances	286,262,508	286,262,508	-	-
Total	455,403,841	455,403,841	-	-

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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 therefore no need to provision of allowance for uncollectible amounts. The Council has significant concentration of credit risk on amounts due from The State Department of Livestock development. The board of directors sets the Council's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Council's directors, who have built an appropriate liquidity risk management framework for the management of the Council's short, medium and long-term funding and liquidity management requirements. The Council manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Council under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2025				
Trade payables	36,046,319	-	-	36,046,319
Contractors' Retention Funds	116,423,463	-	-	116,423,463
Employee benefit obligation	-	-	-	-
Total	152,469752	-	-	152,469752
As at 30th June 2024				
Trade payables	16,873,538	-	-	16,873,538
Contractors' Retention Funds	140,070,896	-	-	140,070,896
Employee benefit obligation	-	-	-	-
Total	156,944,434	-	-	156,944,434

iii) Market risk

The Council has put in place an internal audit function to assist it in assessing the risk faced by the Council on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the

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Council's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Council's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Council's exposure to market risks or the way it manages and measures the risk.

a) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The Entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 1,328,790 (Current FY: Kshs 243,182,822). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 6,643,952 (Current FY – Kshs 243,182,822)

Financial Risk Management

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Council's market assumptions. These two types of inputs have created the following fair value hierarchy:

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

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Notes to the Financial Statements (Continued)

Financial Risk Management

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

Description	Level 1	Level 2	Level 3	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2025				
Financial Assets				
Quoted Equity Investments	-	-	-	-
Non- Financial Assets				
Investment Property	-	-	-	-
Land And Buildings	-	-	95,090,636	95,090,636
Total	-	-	95,090,636	95,090,636
As at 30th June 2025				
Financial Assets				
Quoted Equity Investments	-	-	-	-
Non- Financial Assets				
Investment Property	-	-	-	-
Land And Buildings	-	-	141,251,788	141,251,788
Total	-	-	141,251,788	141,251,788

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

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

Description	Period ended 30 th June 2025	Period ended 30 th June 2024
	Kshs	Kshs
Revaluation Reserve	58,456,816	58,456,816
Retained Earnings	800,970,086	564,654,360
Capital Reserve	1,835,490,664	1,879,490,664
Total Funds	2,694,917,566	2,502,601,840
Total Borrowings	-	-
Less: Cash and Bank Balances	(136,267,356)	(286,262,508)
Net Debt/(Excess Cash And Cash Equivalents)	(136,267,356)	(286,262,508)
Gearing	0%	0%

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Notes to the Financial Statements (Continued)

27. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the Council 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.

Government of Kenya

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

Other related parties include:

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Xxx.
- v) Key management.
- vi) Board of directors.

Description	Period ended 30 th June 2025	Period ended 30 th June 2024
	Kshs	Kshs
Transactions with related parties		
a) purchases from related parties		
Purchases of electricity from KPLC	1,471,256	1,662,133
Purchase of water from govt service providers	84,889	94,482
Rent expenses paid to govt agencies	20,687,626	20,687,628
Training and conference fees paid to govt. Agencies	1,263,625	403,680
Total	23,507,396	22,847,923
a) Grants /transfers from the government		
Grants from national govt	527,342,602	565,000,000
Total	527,342,602	565,000,000
Total	550,849,998	587,847,923

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28. Segment Information

The Council operates in a centralized manner with control from the head office. Kariokor Common Manufacturing Facility, TPCSI and Kinanie Leather Park are therefore not required to report separately and therefore IPSAS 18 does not apply to the Council.

29. Capital Commitments

The council did not have any capital commitments as at the close of the Financial Year 2024/25

30. Events after the Reporting Period

There were no material adjusting and non-adjusting events after the reporting period.

31. Ultimate and Holding Entity

The Council is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of Agriculture and Livestock Development. Its ultimate parent is the Government of Kenya.

32. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

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20. Appendices

Appendix 1: Implementation Status of Auditor-General's Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Report on Financial Statements				
1.1	Irregular payment of meal allowances	The payments have since been stopped	Resolved	Resolved
1.2	Irregular payment of sitting allowances	The payments have since been stopped	Resolved	Resolved
2.1	Lack of land ownership documents	The process has already been initiated but the land has been removed from the balance sheet pending the completion of the transfer process and acquisition of ownership documents	Not Resolved	In the FY 2025/26
2.2	Revaluation of Fully Depreciated Assets	Most of the assets had been earmarked for disposal. All other assets would be revalued in the FY 2025/25	Not Resolved	In the FY 2025/26
Lawfulness and Effectiveness in the Use of Public Resources				
1.0	Non-compliance to a third rule on salary deductions	This had been brought about by introduction of SHA, higher rates of NSSF and Housing Levy while the staff had committed their salaries.	Resolved	Resolved

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.0	Variance between approved staff establishment and in post	This has been improved through recruitment of new staff and the Council will be recruiting more after approvals	Resolved	Resolved
Internal Controls, Risk Management and Governance				
1.0	Physical Security and Access to the server room			
2.0	Lack of Creditors/Debtors Policy	The Policy has been developed	Resolved	Resolved

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Chief Executive Officer

Date:

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Appendix II: Projects implemented by the Council

The project which the Council undertook during the year under review were fully funded by The Government of Kenya, through the Ministry of Agriculture and Livestock Development, State Department of Livestock Development

Project title	Project Number	Donor	Period/ duration	Donor commitment (Million)	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements. (Yes/No)
Development of Kenya Leather Industrial Park	1	GoK	2017-Date	4,809	No	Yes

Status of Projects completion

SN	Project	Total project Cost (Million)	Total expended to date (Million)	Completion % to date	Budget (Million)	Actual (Million)	Sources of funds
1.	Development of Kenya Leather Industrial Park	4,809	3,042	63%	300	150	GoK
	Total	4,809	3,042		300	150	

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Appendix III: Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized				Total Transfers
	As per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	
Ministry of Agriculture and Livestock development	03/09/2024	Recurrent	18,945,217	18,945,217	-	-	-	18,945,217
Ministry of Agriculture and Livestock development	25/09/2024	Recurrent	18,945,217	18,945,217	-	-	-	18,945,217
Ministry of Agriculture and Livestock development	25/09/2024	Recurrent	18,945,216	18,945,216	-	-	-	18,945,216
Ministry of Agriculture and Livestock development	08/11/2024	Recurrent	18,945,216	18,945,216	-	-	-	18,945,216
Ministry of Agriculture and Livestock development	04/12/2024	Recurrent	18,945,217	18,945,217	-	-	-	18,945,217
Ministry of Agriculture and Livestock development	09/01/2025	Development	150,000,000	150,000,000	-	-	-	150,000,000
Ministry of Agriculture and Livestock development	21/01/2025	Recurrent	56,835,650	56,835,650	-	-	-	56,835,650
Ministry of Agriculture and Livestock development	18/02/2025	Recurrent	18,945,217	18,945,217	-	-	-	18,945,217
Ministry of Agriculture and Livestock development	19/06/2025	Recurrent	56,835,650	56,835,650	-	-	-	56,835,650
Ministry of Agriculture and Livestock development	07/07/2025	Development	150,000,000	150,000,000	-	-	-	150,000,000
Total			527,342,600	527,342,600	-	-	-	527,342,600

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Appendix IV- Inter-Entity Confirmation Letter

Name of Transferring entity: State Department of Livestock Development

Name of Beneficiary entity: Kenya Leather Development Council

Confirmation of amounts received by Kenya Leather Development Council as at 30 th June 2022					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
FT242473YWZH	03/09/2024	18,945,217		18,945,217	Fully Disbursed
FT24269C2CXY	25/09/2024	18,945,217		18,945,217	Fully Disbursed
FT24269Z8W02	25/09/2024	18,945,216		18,945,216	Fully Disbursed
FT243135L09W	08/11/2024	18,945,216		18,945,216	Fully Disbursed
FT243392RMNS	04/12/2024	18,945,217		18,945,217	Fully Disbursed
FT25009V0L3P	09/01/2025		150,000,000	150,000,000	Fully Disbursed
FT25024Z715Q	24/01/2025	56,835,650		56,835,650	Fully Disbursed
FT25049C5F01	18/02/2025	18,945,217		18,945,217	Fully Disbursed
FT25170CSP1Y	19/06/2025	56,835,650		56,835,650	Fully Disbursed
FT25188WQ4QT	07/07/2025		150,000,000	150,000,000	Fully Disbursed
Total		227,342,600	300,000,000	527,342,600	

I confirm that the amounts shown above are correct as of the date indicated.

**Head of Accounts Department
State Department of Livestock Department**

Name Sign Date

**Manager, Finance & Accounts
Kenya Leather Development Council**

Name ALBERT ARIKU Sign [Signature] Date 26/8/2025