

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

**REPORT OF
THE
AUDITOR-GENERAL**



ON

**THE FINANCIAL STATEMENTS OF
KENYA INVESTMENT AUTHORITY FOR
THE YEAR ENDED 30 JUNE 2013**







KENYA INVESTMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

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KENYA INVESTMENT AUTHORITY

CORPORATE INFORMATION

FOR THE YEAR ENDED 30TH JUNE 2013

Board Members

1. Mrs. Ann Wangari Kirima - Muchoki - Chairperson
2. Principal Secretary, National Treasury (Alternate Member - Mr. Wanyambura Mwambia)
3. Principal Secretary, Ministry of Devolution & Planning (Alternate Member - Mr. Alfred K. M. Diru)
4. Principal Secretary, Ministry of East African Affairs, Commerce & Tourism (Alternate Member- Mrs. Margaret Byama)
5. Principal Secretary, Ministry of Industrialization & Enterprise Development (Alternate Member – Mr. Thomas G. Njogu)
6. Principal Secretary, Ministry of Agriculture, Livestock and Fisheries (Alternate Member – Mr. Wellington Lubira)
7. Principal Secretary, Ministry of Lands, Housing and Urban Development (Alternate Member- Mr. Augustine Masinde)
8. Principal Secretary, Ministry of Devolution & Planning (Alternate Member- Mr. Mutua P. Nzoka, OGW)
9. Principal Secretary, Office of the President (Alternate Member- Mr. William K. Mahinda)
10. Mr. Cyrille Nabutola - Chief Executive, Export Processing Zones Authority
11. Ms. Ruth Mwaniki - Chief Executive, Export Promotion Council
12. Mr. Kariithi Murage Murimi – Member (Term ended on 15th March 2013)
13. Ms. Meuledi M. Iseme – Member (Term ended on 15th March 2013)
14. Mr. Davinder S. Sikand– Member (Term ended on 15th March 2013)
15. Mr. Yida Kemoli – Member (Term ended on 15th March 2013)
16. Mr. Taib A. Taib – Member (Term ended on 15th March 2013)
17. Mr. Derrick M'Mbijewe – Member (Term ended on 15th March 2013)
18. Dr. Moses Ikiara - Managing Director, Kenya Investment Authority

Contact Details

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Tel: 057-2020746, Wireless: 020-2393923
Fax: 057-2021040
E-mail: ksm@investmentkenya.com

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E-mail: msa@investmentkenya.com

Regional Office, Eldoret
National Bank Building
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P. O. Box 4638- 30100 Eldoret
Tel: 053-2060746, 2060774, 2060793
E-mail: eld@investmentkenya.com

Jomo Kenyatta International Airport (JKIA)
Liaison Office, 1st Floor, Dr.1. 106
Tel: (20) 822111 Ext. 5136, (20) 822912-3
Fax: (20) 822907

Auditors

Auditor General as provided for by the Public Audit Act, 2003 (CAP 12).

Bankers

Co-operative Bank of Kenya, Parliament Road Branch, Nairobi.

KENYA INVESTMENT AUTHORITY

REPORT OF BOARD MEMBERS

FOR THE YEAR ENDED 30TH JUNE 2013

The Board of Kenya Investment Authority (KenInvest) submits this report together with the financial statements for the financial year ended 30th June, 2013. The report shows the state of the Authority's financial affairs.

Incorporation

Kenya Investment Authority (KenInvest) is established under the Investment Promotion Act No. 6 of 2004.

Principal Activities

The Authority is mandated to promote and facilitate investments in Kenya for both domestic and foreign investors.

Financial Statements

The Financial Statements are presented from page 7 of this report.

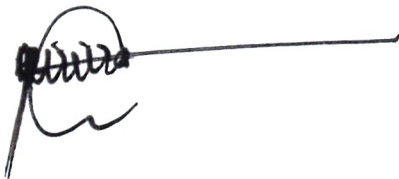
Board Members

The board members of the Authority who held office during the year and to the date of this report are set out on page 3.

Auditor

The Auditor-General is responsible for the statutory audit of the Authority's financial statement in accordance with Section 14 of the Public Audit Act, 2003 and Section 39(i) of the Act,

By order of the board



Dr. Moses M. Ikiara, PhD, MBS

Managing Director

KENYA INVESTMENT AUTHORITY

STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES

FOR THE YEAR ENDED 30TH JUNE 2013

The board members of the Authority submit their report together with the audited financial statements for the year ended 30th June 2013, which disclose the state of affairs of the Authority.

The Public Audit Act, 2003 requires the Board to prepare financial statements for each financial year, which includes a Statement of Financial Position showing details of the assets and liabilities of the Authority, a Statement of Comprehensive Income, and such other Statements that the Board may deem necessary. The State Corporation Act (Cap 416) requires the Board to ensure that proper books are kept, including recording of all the property, undertakings, funds, activities, contracts, transactions and other business of the Board. The Board is also responsible for safeguarding the assets of the Authority.

The Board Members accept the responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with generally accepted accounting practice and in the manner required by the State Corporations Act. The Board members are of the opinion that the financial statements give a true and fair view of the state of financial affairs of the Authority and of its operating results. The Board members further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

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

Mrs. Ann W. Kirima- Muchoki

Chairperson

Signature

23/12/2013

Date

Dr. Moses M. Ikiara, PhD, MBS

Managing Director

Signature

23/12/2013

Date

REPUBLIC OF KENYA



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NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA INVESTMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Investment Authority set out on pages 7 to 15, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my Knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

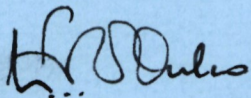
reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Investment Authority as at 30 June 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with Investment Promotion Act, 2004 of the Laws of Kenya.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

21 January 2014

KENYA INVESTMENT AUTHORITY
 FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30TH JUNE 2013



STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE, 2013

		2012/2013	2011/2012
	Note	KShs	KShs
NON CURRENT ASSETS			
Property, Plant and Equipment	23	92,271,636	103,207,275
		92,271,636	103,207,275
CURRENT ASSETS			
Receivables and Prepayments	24	7,047,243	3,164,886
Deposits	25	560,000	560,000
Cash and Bank Balances	26	64,543,630	19,245,223
		72,150,873	22,970,109
CURRENT LIABILITIES			
Payables and Accruals			
Creditors	27	11,231,088	9,654,440
		11,231,088	9,654,440
WORKING CAPITAL		60,919,786	13,315,669
CAPITAL EMPLOYED		153,191,422	116,522,944
FINANCED BY:			
GENERAL FUND:	28	153,191,422	116,522,944
CAPITAL EMPLOYED		153,191,422	116,522,944

Mrs. Ann W. Kirima - Muchoki
 Chairperson

23/12/2013

Date

Dr. Moses Ikiara, PhD, MBS
 Managing Director

23/12/2013

Date

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE, 2013

INCOME	Note	2012/2013 KShs	2011/2012 KShs
GOK GRANTS - RECURRENT	2	250,000,000	215,000,000
GOK GRANTS - DEVELOPMENT	2	90,000,000	50,000,000
COMMISSIONS	3	46,170	42,816
OTHER INCOME	5	1,080,000	5,111,000
TOTAL INCOME		341,126,170	270,153,816
RECURRENT EXPENDITURE			
LOSS ON DISPOSAL OF ASSETS	4	-	350,348
EXPENDITURE ON OTHER INCOME	5	799,413	3,684,333
STAFF SALARIES AND BENEFITS	6	171,672,211	188,868,548
TRANSPORT & TRAVEL EXPENSES	7	1,202,675	1,373,575
RENT EXPENSES	8	23,707,890	24,948,576
PRINTING ADVERTISING & INFORMATION	9	2,011,022	837,063
HOSPITALITY SUPPLIES & SERVICES	10	1,145,034	784,256
TRAINING EXPENSES	11	3,098,803	-
BOARD EXPENSES	12	6,571,604	5,782,886
OFFICE & GENERAL EXPENSES	13	3,425,029	3,659,868
COMMUNICATION SUPPLIES & SERVICES	14	1,387,787	1,920,377
INSURANCE COSTS	15	1,459,032	1,465,099
OTHER OPERATING EXPENSES	16	1,115,378	1,002,595
ROUTINE MAINTENANCE OF ASSETS	17	1,253,908	823,063
DEPRECIATION CHARGES	23	12,872,149	14,673,723
TOTAL RECURRENT		231,721,933	250,174,311
DEVELOPMENT EXPENDITURE			
ICT DEVELOPMENT	18	6,316,483	1,607,120
RESEARCH AND POLICY ADVOCACY	19	14,624,848	1,265,400
INVESTOR SERVICES	20	10,891,287	4,514,432
CORPORATE BRANDING	21	4,874,496	311,361
ISO CERTIFICATION		-	540,150
INVESTMENT PROMOTION	22	36,028,644	2,836,544
TOTAL DEVELOPMENT		72,735,759	11,075,007
TOTAL EXPENDITURE		304,457,693	261,249,318
SURPLUS/(DEFICIT) FOR THE YEAR	28	36,668,478	8,904,498

KENYA INVESTMENT AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013



STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE, 2013

		GENERAL FUND
	Note	KShs
At 1st July 2011	28	107,618,446
Surplus for the year		8,904,498
At 30th June 2012		<u>116,522,944</u>
At 1st July 2012	28	116,522,944
Surplus for the year		36,668,478
At 30th June 2013		<u>153,191,422</u>

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE, 2013

	Note	2012/2013 KSHS	2011/2012 KSHS
<u>Cash flow From Operating Activities:</u>			
Net (Deficit)/ Surplus from Operations	28	36,668,478	8,904,498
Adjustments:			
Profit/(Loss) on Disposal	4	-	350,348
Depreciation	23	12,872,149	14,673,723
Operating (Deficit)/Surplus before working capital changes		<u>49,540,627</u>	<u>23,928,569</u>
Decrease/(increase) in Receivables and Prepayments	24	(3,882,357)	857,362
Decrease/(increase) in Deposits	25	-	-
(Decrease)/ Increase in Creditors	27	1,576,648	(33,086,912)
Net Cash flow from Operating Activities		<u>47,234,917</u>	<u>(8,300,981)</u>
<u>Investing Activities:</u>			
Sale of Assets	4	-	111,650
Purchase of Fixed Assets	23	(1,936,510)	(6,629,267)
Net Cash flow from Investing Activities		<u>(1,936,510)</u>	<u>(6,517,617)</u>
Net (Decrease)/ Increase in Cash & Cash equivalents		45,298,407	(14,818,598)
Cash & Cash Equivalents at the beginning of the Period		19,245,223	34,063,821
Cash & Cash Equivalents at the end of the Period	26	<u>64,543,630</u>	<u>19,245,223</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Significant Accounting Policies

(i) Basis of Accounting

The Financial statements are prepared in accordance with and comply with International Financial Reporting Standards and International Accounting Standard 1.

The Accounts have been prepared under the Historical Cost Convention.

(ii) Non Current Assets

Non Current assets are stated at Cost or valuation less accumulated Depreciation.

Depreciation is calculated on the cost of the fixed assets on a reducing balance at annual rates estimated to write off these assets over their expected useful life. The Depreciation rates used are as follows:

Motor Vehicle	25%
Furniture & Fittings	10%
Computers & Office Accessories	30%

(iii) Retirement Benefits Obligations

KenInvest operates a defined contribution pension scheme for its employees. The Scheme is administered by CFC Life Insurance Company and is funded by contributions from KenInvest. The Authority's contributions to the scheme are charged to the statement of comprehensive income in the year in which they relate.

The employees are also members of the statutory National Social Security Fund (NSSF).

(iv) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand & deposits held at call with banks.

(v) Revenue Recognition

Income is recognized in the period in which it is received. Government and donor funding is only recognized on receipt. Income is not accrued if its recoverability is considered doubtful.

(vi) Revenue

The revenue constitutes all funds accruing to the Authority in the form of exchequer allocations, funds from development partners and any other income arising from the check off system operated by the Authority, sale of tenders and proceed of disposal of assets.

2. GOK Grants

The Authority relied on the exchequer to fund its activities for the financial year. The funds were received as a one line budget for both recurrent and development.

3. Commission Income

The Authority charges a 3% commission for the check off system it runs with various insurance agencies for deductions from employee salaries.

2012/2013	2011/2012
KShs	KShs

4. Disposal of Furniture and Office equipment

Cost of Assets	-	1,410,010
Accumulated Depreciation	-	(1,192,946)
Net Book Value	-	217,064
Cost of sale	-	244,934
Total Cost	-	461,998
Amount Paid	-	111,650
Profit/(Loss) on Disposal	-	(350,348)

5.(a) Other Income

Miscellaneous income	1,080,000	215,000
Sponsorship Income	-	4,896,000
	1,080,000	5,111,000

Miscellaneous income relates to income received from sale of Prequalification & Tender documents.

5.(b) Expenditure on Other Income

Advertising and other costs related to sale of tender	799,413	215,000
Sponsorship Expenses	-	3,469,333
	799,413	3,684,333

6. Staff Salaries & Benefits

Basic Salaries	89,480,239	103,022,550
House Allowance	29,690,000	34,572,903
Other Personal Emoluments	14,592,927	16,208,930
Leave Allowance	2,210,000	2,460,000
Other Cash Allowances	2,944,323	536,204
Pension Contribution	17,936,095	20,939,310
Medical	12,761,294	11,128,652
Recruitment Cost	2,057,333	-
	171,672,211	188,868,548

The MD's Salary and Allowances of Kshs 5,760,000 in 2012/2013 and Kshs 11,520,000 in 2011/2012 is included in Staff Salaries and Benefits.

7. Transport & Travel Expenses

Fuel oils and Lubricants	1,020,366	1,233,202
Travel-Local	182,309	140,374
	1,202,675	1,373,575

8. Rent Expenses

Rent Expenses	21,932,159	24,948,576
Utilities Expenses	1,775,730	-
	23,707,890	24,948,576

	2012/2013 KShs	2011/2012 KShs
9. Printing Advertising & Information Services		
Printing Expenses	806,926	837,063
Advertising	960,828	-
Newspaper Subscriptions	243,268	-
	<u>2,011,022</u>	<u>837,063</u>
10. Hospitality, Supplies and Services		
Hospitality, Supplies and Services	404,356	784,256
Water Expenses	320,017	-
Staff Tea	420,661	-
	<u>1,145,034</u>	<u>784,256</u>
11. Training Expenses		
Staff Training	3,098,803	-
	<u>3,098,803</u>	<u>-</u>
12. Board Expenses		
Board Allowances	3,607,488	4,822,886
Honoraria	827,544	960,000
Facilitation Expenses	2,136,572	-
	<u>6,571,604</u>	<u>5,782,886</u>
13. Office and General Supplies		
Office and General Supplies	1,010,393	1,006,981
Cleaning	1,952,296	2,193,527
Security	462,340	459,360
	<u>3,425,029</u>	<u>3,659,868</u>
14. Communication Supplies & Services		
Communication Costs	1,387,787	1,920,377
	<u>1,387,787</u>	<u>1,920,377</u>
15. Insurance Costs		
Staff Group Life & Motor Vehicle Insurance	1,459,032	1,465,099
	<u>1,459,032</u>	<u>1,465,099</u>
16. Other Operating Expenses		
Bank Charges & Commissions	114,092	122,308
Subscriptions	182,086	880,288
Audit Fees	330,000	-
Legal Fees	489,200	-
	<u>1,115,378</u>	<u>1,002,595</u>
17. Routine Maintenance of Assets		
Repair and Maintenance of Office Equipment	411,537	181,929
Repair and Maintenance of Motor Vehicles	842,371	641,134
	<u>1,253,908</u>	<u>823,063</u>

	2012/2013 KShs	2011/2012 KShs
18. ICT Development		
ICT Services	2,640,778	1,607,120
Document Imaging and Scanning	1,932,286	-
Coding of Assets	1,743,420	-
	<u>6,316,483</u>	<u>1,607,120</u>
19. Research and Policy Advocacy programmes		
Research & feasibility studies	7,632,878	38,460
Policy Advocacy	6,991,970	1,226,940
	<u>14,624,848</u>	<u>1,265,400</u>
20. Investor Services		
Investor Facilitation expenses	10,891,287	4,514,432
	<u>10,891,287</u>	<u>4,514,432</u>
21. Corporate Branding		
Public Relations & Branding expenses	4,874,496	311,361
	<u>4,874,496</u>	<u>311,361</u>
22. Investment Promotion programme		
Investment Product Development	9,606,860	-
International Marketing	17,510,788	1,995,544
Business Development Services	5,019,881	841,000
SPX Program	3,891,116	-
	<u>36,028,644</u>	<u>2,836,544</u>

23.(a) Property, Plant and Equipment
2012-2013

	Motor Vehicles KShs	Computers & Equipment KShs	Furniture & Fittings KShs	Total KShs
<i>Cost or Valuation:</i>				
As at 1st July, 2012	29,629,900	12,015,253	114,538,982	156,184,135
Additions during the year	-	989,100	947,410	1,936,510
As at 30th June, 2013	29,629,900	13,004,353	115,486,392	158,120,645
<i>Depreciation:</i>				
As at 1st July, 2012	19,121,932	9,096,478	24,758,450	52,976,860
Charge for the Year	2,626,992	1,172,363	9,072,794	12,872,149
As at 30th June, 2013	21,748,924	10,268,841	33,831,244	65,849,009
<i>Net Book Value:</i>				
As at 30th, June 2013	7,880,976	2,735,513	81,655,148	92,271,636
As at 30th, June 2012	10,507,968	2,918,775	89,780,532	103,207,275

23.(b) Property, Plant and Equipment
2011-2012

	Motor Vehicles KShs	Computers & Equipment KShs	Furniture & Fittings KShs	Work in Progress KShs	Total KShs
<i>Cost or Valuation:</i>					
As at 1st July, 2011	29,629,900	12,873,363	73,689,602	35,016,947	151,209,812
Additions during the year	-	349,180	41,052,100	-	41,401,280
Work In Progress Completed	-	-	-	(35,016,947)	(35,016,947)
Disposals during the year	-	(1,207,290)	(202,720)	-	(1,410,010)
As at 30th June, 2012	29,629,900	12,015,253	114,538,982	-	156,184,135
<i>Depreciation:</i>					
As at 1st July, 2011	15,619,276	8,955,821	14,920,986	-	39,496,083
Accumulated Dep on Disposal	-	(1,079,914)	(113,032)	-	(1,192,946)
Charge for the Year	3,502,656	1,220,571	9,950,496	-	14,673,723
As at 30th June, 2012	19,121,932	9,096,478	24,758,450	-	52,976,860
<i>Net Book Value:</i>					
As at 30th, June 2012	10,507,968	2,918,775	89,780,532	-	103,207,275
As at 30th, June 2011	14,010,624	3,917,542	58,768,616	35,016,947	111,713,729

	2012/2013 KShs	2011/2012 KShs
24. Receivables and Prepayments		
Staff Imprests	1,295,025	400,545
Medical Costs	-	680,563
Prepayments	5,752,219	2,083,778
	<u>7,047,243</u>	<u>3,164,886</u>
25. Deposits		
Fuel Deposit with Total Kenya	560,000	560,000
	<u>560,000</u>	<u>560,000</u>
26. Cash and Bank Balance		
Petty Cash -HQS	11,170	43,709
Petty Cash-JKIA Office	1,057	8,012
Petty Cash-Eldoret Office	340	4,809
Petty Cash-Kisumu Office	5,000	10,934
Petty Cash-Protection house	-	8,177
Co-operative Bank - HQS	64,526,063	19,169,582
	<u>64,543,630</u>	<u>19,245,223</u>
27. Creditors		
Suppliers Invoices	10,753,760	4,045,922
Fixtures and Fittings	-	1,111,159
Audit Fee	290,000	250,000
Other staff claims	187,327	4,247,360
	<u>11,231,088</u>	<u>9,654,440</u>
28. General Fund		
Balance B/F	116,522,944	107,618,446
Surplus/(Deficit) for the year	36,668,478	8,904,498
Balance C/F	<u>153,191,422</u>	<u>116,522,944</u>

These Accounts are presented in Kenya Shillings (KShs).