

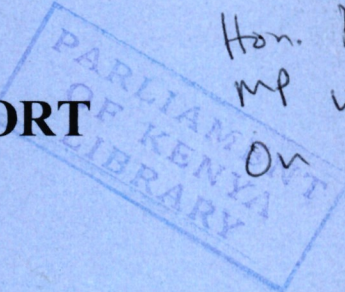
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Laid by the L.O.M.
Hon. Aden Duale, ERM,
MP under Order No. 4
On 23/03/2016
IBM

REPORT



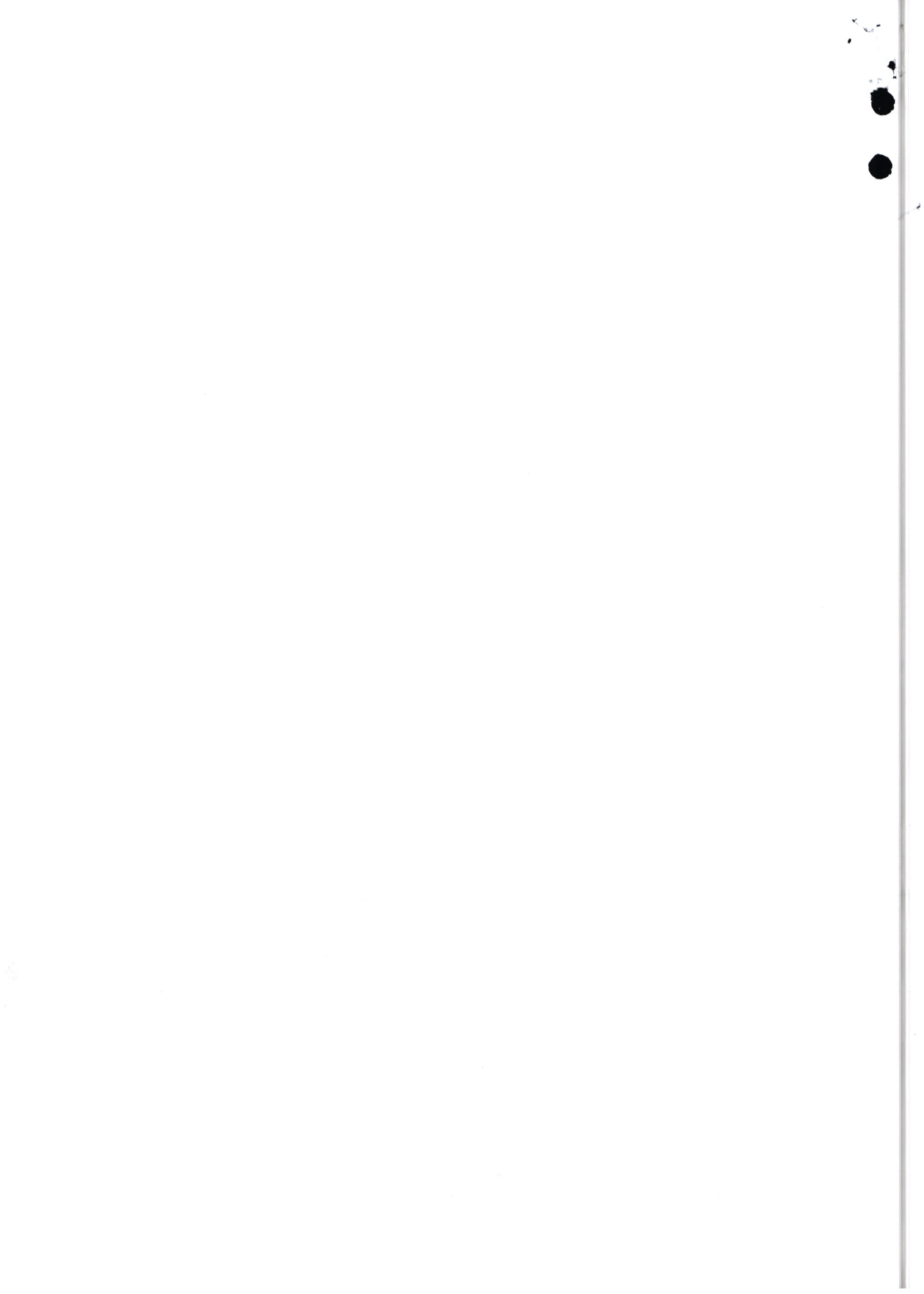
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
INDUSTRIAL AND COMMERCIAL
DEVELOPMENT CORPORATION**

**FOR THE YEAR
ENDED 30 JUNE 2015**



REPUBLIC OF KENYA



23 MAR 2016

OFFICE OF THE AUDITOR-GENERAL

REPORT

Laid by the L.O.M.
Hon. Aden, Dvale, E.H.H.
MP under Order No. 4
On 23/03/2016
IBM

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
INDUSTRIAL AND COMMERCIAL
DEVELOPMENT CORPORATION**

**FOR THE YEAR
ENDED 30 JUNE 2015**

Industrial and Commercial Development Corporation

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30 JUNE 2015**

Prepared in accordance with International Financial Reporting Standards (IFRS)



Contents	Page
Key Entity Information	2-3
Report of the Directors	4
Statement of Directors' Responsibilities	5
Report of the Independent Auditor	6 - 7
Statement of Profit or loss and other comprehensive income	8
Statement of Financial Position	9
Statement of Changes in Equity	10 - 11
Statement of Cash Flows	12
Explanatory Notes to the Financial Statements	13 - 50
Appendix: Subsidiaries and associates	51

KEY ENTITY INFORMATION

Background information

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

Principal Activities

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

Directors

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

- | | | | |
|-----|---|----------------------|------------------------------------|
| 1. | Martin K. Muragu | - Chairman | - Appointed on 9th September, 2009 |
| 2. | Peter M Kimurwa | - Executive Director | - Resigned on 22 July 2015 |
| 3. | Bernard G Njuguna | | - Retired on 2nd October 2015 |
| 4. | Albert Ruturi | | - Retired on 18 November 2014 |
| 5. | Amb. Julius Sunkuli | | - Appointed on 17th April 2015 |
| 6. | David Ndegwa Wachira | | - Appointed on 17th April 2015 |
| 7. | Sophia Lepuchirit | | - Appointed on 17th April 2015 |
| 8. | Dr. Duracha Waqo Ejersa | | - Appointed on 17th April 2015 |
| 9. | Isaiah Cheruiyot | | - Appointed on 2nd October 2015 |
| 10. | Principal Secretary, Ministry of Industrialisation & Enterprise Development | | - Alternate: Stephen Karani |
| 11. | Cabinet Secretary, National Treasury | | - Alternate: Cheryl Majiwa |

Corporation Secretary

Grace M. Magunga
PO Box 45519
00100 Nairobi

Registered Office

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

Corporate Headquarters

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

Corporate Contacts

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

Corporate Bankers

1. Kenya Commercial Bank Limited
Moi Avenue
P.O. Box 30081-00100
Nairobi
2. Commercial Bank of Africa Limited
Wabera Street
P.O. Box 30437 – 00100
Nairobi
3. Co-operative Bank of Kenya Limited
Uchumi House
Aga Khan Walk
P.O.Box 40310 – 00100
Nairobi

Independent Auditors

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

Principal Legal Adviser

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

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30 June 2015 which show the state of the Industrial and Commercial Development Corporation's affairs.

Principal activities

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

Results

	For year ended 30 June	
	2015	2014
	Kshs'000	Kshs'000
Profit before taxation	1,519,306	602,394
Taxation	-	-
	<hr/>	<hr/>
Profit for the year transferred to retained earnings	1,519,306	602,394
	<hr/>	<hr/>

Dividends

A dividend of Shs 35,000,000 was paid to the Government of Kenya in relation dividends declared out of profits of past years up to June 1999 (2014: Nil).

Directors

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

Auditor

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

PricewaterhouseCoopers was nominated by the Auditor General to carry out the audit of the Industrial and Commercial Development Corporation for the year ended 30 June 2015.

By Order of the Board



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

Date: 18th December, 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of its state of affairs of the Corporation at the end of the financial year ended 30 June 2015. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Corporation ; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Corporation; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of its transactions during the financial year ended 30 June 2015, and of its financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of its financial statements as well as the adequacy of the systems of internal financial control.

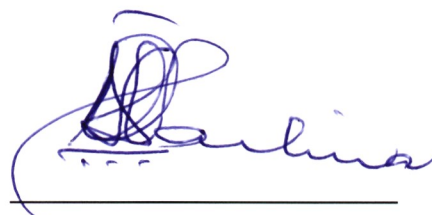
Nothing has come to the attention of the Directors to indicate that the Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Corporation's financial statements were approved by the Board on 18th December 2015 and signed on its behalf by:



Chairman



Director



REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON INDUSTRIAL AND COMMERCIAL DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of Industrial and Commercial Development Corporation set out on pages 8 to 51, which comprise the statement of financial position as at 30 June 2015, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information have been audited on my behalf by PWC Kenya, auditors appointed under Section 39 of the Public Audit Act, 2003 and in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of Public Audit Act, 2013. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Grants and Loans

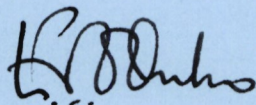
Included in the financial statements are grants and loans from the Government of Kenya amounting to Kshs.894.630,000 (2014: Kshs.886,182,000) and related interest expense of Kshs.8,448,000 (2014: Kshs.8,448,000). The grants and loans relate to amounts advanced or given as grants to the Corporation by the Government of Kenya, most of them more than 25 years ago but there were no agreements to support these balances.

Furthermore, the grants are included in liabilities. In addition, it was not possible to determine whether the conditions for the grants have been met and whether they should have been taken to income in previous years in accordance with ISA 20 – Accounting for Government Grants and Disclosure of Government Assistance.

Consequently, it has not been possible to verify the terms of the loans and grants including interest rates, or to confirm the accuracy of the balances split between loans and grants or whether these are correctly classified as liabilities and the legality and propriety of the interest expense.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in the all material respects, the financial position of the Corporation as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Industrial and Commercial Development Corporation Act, Cap 445 of the Laws of Kenya.



FCPA Edward R.O. Ouko, CBS
AUDITOR- GENERAL

Nairobi

19 February 2016

Statement of profit or loss and other comprehensive income

	Notes	Year ended 30 June	
		2015 Shs'000	2014 Shs'000
Revenues			
Operating income	5	985,368	773,685
Other income	6	69,720	261,804
Total revenues		1,055,088	1,035,489
Operating expenses			
Administration costs	7(a)	312,547	316,186
Depreciation of property and equipment	12	29,894	30,420
Amortisation of intangible assets	11	810	1,104
Provision for losses	18	40,711	76,937
Total operating expenses		383,962	424,647
Operating profit	8	671,126	610,842
Finance cost	9	(8,448)	(8,448)
Profit from operations		662,678	602,394
Gain on disposal of unquoted investments		856,628	-
Profit before taxation		1,519,306	602,394
Income tax expense	10	-	-
Profit after taxation		1,519,306	602,394
Other comprehensive income for the year			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Reversal of fair value on disposed investments		(856,628)	2,105
Fair value gain / (loss) in quoted investments	16	3,719,010	2,973,723
Fair value (loss) / gain in unquoted investments	15	(616,089)	713,649
Revaluation gain on property and equipment		-	6,818
Total other comprehensive income		2,246,293	3,696,295
Total comprehensive income		3,765,599	4,298,689

The notes on pages 13 to 50 are an integral part of these financial statements

Statement of financial position

		At 30 June	
	Notes	2015 Shs'000	2014 Shs'000
Assets			
Property and equipment	12	1,082,566	1,096,571
Intangible assets	11	3,178	2,434
Investment property	13	1,123,210	925,500
Government securities (Held to maturity)	14	99,648	99,249
Quoted investments (Available for sale)	16	10,321,094	6,602,084
Unquoted investments (Available for sale)	15	9,232,801	10,528,886
Loans	18	985,381	1,123,290
Related companies current account		277	352
Trade and other receivables	17	504,937	246,691
Cash and cash equivalents	20	1,890,929	804,339
		<hr/>	<hr/>
Total assets		25,244,021	21,429,396
		<hr/>	<hr/>
Reserves			
Revaluation reserve	21	1,061,087	1,061,087
Fair value adjustment reserve	21	17,558,027	15,311,734
Retained earnings	21	5,467,231	3,947,925
		<hr/>	<hr/>
Total reserves		24,086,345	20,320,746
		<hr/>	<hr/>
Liabilities			
Bank overdraft	20	67,874	-
Grants and loans	22	894,630	886,182
Payables and accruals	24	105,172	97,468
Dividend payable	26	90,000	125,000
		<hr/>	<hr/>
Total liabilities		1,157,676	1,108,650
		<hr/>	<hr/>
Total reserves and liabilities		25,244,021	21,429,396
		<hr/>	<hr/>

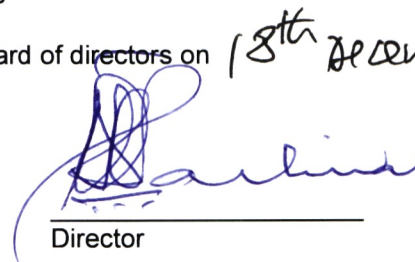
The notes on pages 13 to 50 are an integral part of these financial statements

The financial statements on pages 8 to 50 were approved for issue by the board of directors on 18th December

_____ 2015 and signed on its behalf by:



 Chairman



 Director

Statement of changes in equity

	Revaluation reserve Shs'000	Fair value adjustment Shs'000	Retained earnings Shs'000	Total equity Shs'000
Year ended 30 June 2014				
At start of year	1,054,269	11,622,257	3,345,531	16,022,057
Comprehensive income				
Profit for the year	-	-	602,394	602,394
Other comprehensive income:				
Reserves released on disposal of investments	-	2,105	-	2,105
Fair value gain in unquoted investments	-	713,649	-	713,649
Fair value gain in quoted investments	-	2,973,723	-	2,973,723
Revaluation of property and equipment	6,818	-	-	6,818
Total other comprehensive income	6,818	3,689,477	-	3,696,295
Total comprehensive income	6,818	3,689,477	602,394	4,298,689
At end of year	1,061,087	15,311,734	3,947,925	20,320,746

The notes on pages 13 to 50 are an integral part of these financial statements

Statement of changes in equity (continued)

	Revaluation reserve Shs'000	Fair value adjustment Shs'000	Retained earnings Shs'000	Total equity Shs'000
Year ended 30 June 2015				
At start of year	1,061,087	15,311,734	3,947,925	20,320,746
Comprehensive income				
Profit for the year	-	-	1,519,306	1,519,306
Other comprehensive income:				
Fair value loss in unquoted investments	-	(616,089)	-	(616,089)
Fair value gain in quoted investments	-	3,719,010	-	3,719,010
Reserves released on disposal of unquoted investments		(856,628)	-	(856,628)
Total other comprehensive income	-	2,246,293	-	2,246,293
Total comprehensive income	-	2,246,293	1,519,306	3,765,599
At end of year	1,061,087	17,558,027	5,467,231	24,086,345

The notes on pages 13 to 50 are an integral part of these financial statements

Statement of cash flows

	Notes	Year ended 30 June	
		2015 Shs'000	2014 Shs'000
Cash flows from activities			
Net cash generated from operations	27(a)	583,085	520,892
Cash flows from investing activities:			
Development of investment property	13	(191,922)	(146,370)
Purchase of property and equipment	12	(15,889)	(7,327)
Purchase of intangible assets	11	(1,554)	(1,594)
Purchase of unquoted investments	15	(180,004)	(430,000)
Proceeds on disposal of unquoted investments		860,000	-
Proceeds on disposal of quoted investments		-	1,205
Net cash used in investment activities		470,631	(584,086)
Cash flows from financing activities			
Loan repayment (principal and interest) – Government of Kenya and KFW of Germany	22	-	(25,000)
Dividend payment		(35,000)	-
Net cash used in financing activities		(35,000)	(25,000)
Net increase / decrease in cash and cash equivalents		1,018,716	(88,104)
Movement in cash and cash equivalents			
At start of year	20	804,339	892,533
Increase/(decrease)		1,018,716	(88,194)
At end of year	20	1,823,055	804,339

The notes on pages 13 to 50 are an integral part of these financial statements



Notes

1. Summary of significant accounting policies

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

a Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property and equipment, investment properties, marketable securities and financial instruments at fair value and impaired assets at their estimated recoverable amounts. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies.

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

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

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

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

b Changes in accounting policy and disclosures

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

The following standards have been adopted by the Corporation for the first time for the financial year beginning on or after 1 July 2014 and have a material impact on the Corporation:

Notes (continued)

1. Summary of significant accounting policies (continued)

b Changes in accounting policy and disclosures (continued)

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

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

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

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

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

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

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

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

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Corporation is yet to assess IFRS 9's full impact.

Notes (continued)

1. Summary of significant accounting policies (continued)

b Changes in accounting policy and disclosures(continued)

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

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

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

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Corporation is not currently subjected to significant levies so the impact on the Corporation is not material.

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

c Revenue recognition

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

Finance income comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.

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

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

Other income is recognised as it accrues.

d Consolidation

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

Notes (continued)

1. Summary of significant accounting policies (continued)

e Investment property

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

f Property and equipment

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

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

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

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

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

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

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

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

g Computer software development costs

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

h Financial assets

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

Notes (continued)

1 Summary of significant accounting policies (continued)

h Financial assets (continued)

Classification

i. Loans and receivables

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

ii. Held-to-maturity

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

iii. Available – for – sale financial assets

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

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

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

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

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

Notes (continued)

1 Summary of significant accounting policies (continued)

h Financial assets (continued)

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

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

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

Impairment and uncollectability of financial assets

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

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

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

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

Derecognition of financial assets

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

Derecognition of financial assets

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

Notes (continued)

1 Summary of significant accounting policies (continued)

i Financial liabilities

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

Derecognition of financial liabilities

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

j Receivables

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

k Payables

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

l Cash and cash equivalents

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

m Provisions

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

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

n Impairment of non-financial assets

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

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

Notes (continued)

1 Summary of significant accounting policies (continued)

o Current and deferred income tax

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

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

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

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

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

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

p Borrowings

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

q Employee benefits

i. Retirement benefit obligations

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

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

The Corporation contributions in respect of retirement benefit schemes are charged to profit or loss in the year to which they relate.

Notes (continued)

1 Summary of significant accounting policies (continued)

q Employee benefits (continued)

ii. Other entitlements

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

r Comparatives

Where necessary the comparative figures have been restated to conform to current period presentation.

2. Critical accounting estimates and judgments

In the process of applying the Corporation's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of judgement in applying the entities accounting policies are dealt with below:

Impairment losses

At the end of each reporting period, the Corporation reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash generating unit to which the asset belongs.

Valuation of unquoted investments

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

Income taxes

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

Notes (continued)

3. Financial risk management

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

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

The Corporation's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

Risk management framework

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

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

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

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

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

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

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

Notes (continued)

3. Financial risk management (continued)

Risk management framework (continued)

a. Market risks

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices, and foreign exchange rates which will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Interest rate risk

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

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

Interest rate risk analysis

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

Notes (continued)

3. Financial risk management (continued)

Risk management framework (continued)

a. Market risks (continued)

Interest rate risk (continued)

2015: Assets	Effective interest rate %	Due between 0 and 12 months KShs'000	Due between 1 and 5 years KShs'000	Due after 5 years KShs'000	Total KShs'000
Financial assets					
Short term deposits	11.51	1,890,929	-	-	1,890,929
Investment in Government securities	11.87	-	-	99,648	99,648
Loans	14.54	-	754,330	-	754,330
Loans - current portion	14.54	231,051	-	-	231,051
Total financial assets		2,121,980	754,330	99,648	2,975,958

Financial liabilities

Bank overdraft		(67,874)	-	-	(67,874)
Grants and Government of Kenya loans	5.70	-	-	(894,630)	(894,630)
Total financial liabilities		(67,874)	-	(894,630)	(962,504)

Interest sensitivity gap

	2,054,106	754,330	(794,982)	2,013,454
--	------------------	----------------	------------------	------------------

2014:

Financial assets

Short term deposits	11.13	716,082	-	-	716,082
Investment in Government securities	11.87	-	-	99,249	99,249
Loans	13.24	-	754,330	-	754,330
Loans -current portion	13.24	368,960	-	-	368,960
Total financial assets		1,085,042	754,330	99,249	1,938,621

Grants and Loans

Grants and Government of Kenya loans	5.70	-	-	(886,182)	(886,182)
Total grant and loans		-	-	(886,182)	(886,182)

Interest sensitivity gap

	1,085,042	754,330	(786,933)	1,052,439
--	------------------	----------------	------------------	------------------

Notes (continued)

3. Financial risk management (continued)

Risk management framework (continued)

a) Market risks (continued)

(i) Interest rate risk (continued)

Interest rate risk analysis (continued)

An increase or decrease of 100 basis point in interest rates at the reporting date would have increased/ (decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. This analysis is performed on the same basis for 2014:

	Statement of comprehensive income	
	2015 KShs'000	2014 KShs'000
Loans and advances	1,580	1,740

(ii) Price risk

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

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

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

Notes (continued)

3. Financial risk management (continued)

Risk management framework (continued)

(ii) Price risk (continued)

Company security	30 June 2015			30 June 2014		
	No. of shares	Market price 2015 Shs	Market value 2015 Shs'000	No. of shares	Market Price 2014 Shs	Market Value 2014 Shs'000
Main Investment Market Segment						
Banking						
Barclays Bank of Kenya Limited	156,800	15.55	2,438	156,800	16.70	2,619
Standard Chartered Bank Limited	14,700	298	4,381	14,700	309.00	4,542
Commercial & Services						
Nation Media Group	19,272	199	3,835	19,272	310.00	5,974
Uchumi Supermarkets Limited	7,288,472	8.95	65,232	7,288,472	12.30	89,648
Kenya Airways Limited	53,500	7.35	393	53,500	10.35	554
Energy & Petroleum						
Total Kenya Limited	93,600	21.75	2,036	93,600	25.00	2,340
Kenya Power & Lighting Company Limited	109,800	18.35	2,015	109,800	13.30	1,460

Notes (continued)

3. Financial risk management (continued)

Risk management framework (continued)

a) Market risks (continued)

(ii) Price risk (continued)

At 30 June 2015, if the prices of all quoted equity investments had increased/decreased by 5% with all other variables held constant, the total comprehensive income for the year would have been Kshs. 516,054,702 (2014: Kshs 330,104,200) higher/lower.

At 30 June 2015, if the prices earnings for unquoted investments had increased/decreased by 5% with all other variables held constant, the total comprehensive income for the year would have been Kshs 461,640,050 (2014: Kshs 526,444,295) higher/lower.

b) Currency risk

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

c) Liquidity risk

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

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

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

The table in the next page analyses financial liabilities into relevant maturity based on the remaining period at 30 June 2015 to the contractual maturity date.

Notes (continued)

3. Financial risk management (continued)

Risk management framework (continued)

c) Liquidity risk (continued)

30 June 2015: (Shs' 000)	0 – 12 months	1 – 5 years	Over 5 years	Total
Liabilities				
Grants and loans	-	-	894,630	894,630
Creditors	105,172	-	-	105,172
Dividends payable	37,000	53,000	-	90,000
Total liabilities	142,172	53,000	894,630	1,089,802
<hr/>				
30 June 2014: (Shs' 000)				
Liabilities				
Grant and loans	-	-	886,182	886,182
Creditors	97,468	-	-	97,468
Dividends payable	-	-	125,000	125,000
Total liabilities	97,468	-	1,011,182	1,108,650

d) Credit risk

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

The credit risk exposures are classified in three categories:

- Neither past due nor impaired
- Past due
- Impaired

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

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

Notes (continued)

3. Financial risk management (continued)

Risk management framework (continued)

d) Credit risk (continued)

The amount that best represents the Corporations' maximum exposure to credit risk at 30 June 2015 is made up as follows:

	2015 Shs'000	2014 Shs'000
Cash and cash equivalents	1,890,929	804,339
Sundry debtors	504,937	246,691
Related companies current account	277	352
Loans	985,381	1,123,290
Investment in Government securities	99,648	99,249
	<hr/>	<hr/>
	3,481,172	2,273,921
	<hr/>	<hr/>

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

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

	2015 Shs'000	2014 Shs'000
Sundry debtors individually determined to be impaired:		
Carrying amount before provision for impairment loss	108,876	75,562
Provision for impairment loss	(108,876)	(75,562)
	<hr/>	<hr/>
Net carrying amount	-	-
	<hr/>	<hr/>
Loans individually determined to be impaired:		
Carrying amount before provision for impairment loss	13,849,178	13,862,297
Provision for impairment loss	(13,783,622)	(13,849,429)
	<hr/>	<hr/>
Net carrying amount	65,556	12,868
	<hr/>	<hr/>

Notes (continued)

3. Financial risk management (continued)

Risk management framework (continued)

e) Operational risk

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

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

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

f) Capital management

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

Notes (continued)

4. Financial assets and liabilities and other fair values

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

As at 30 June 2015	Held to maturity KShs'000	Loans and receivables KShs'000	Available- for-sale KShs'000	Other amortised cost KShs'000	Total carrying amount KShs'000	Fair values KShs'000
Assets						
Investments in quoted companies	-	-	10,321,094	-	10,321,094	10,321,094
Unquoted investments	-	-	9,232,801	-	9,232,801	9,232,801
Investments in Government securities	99,648	-	-	-	99,648	99,648
Loans	-	985,381	-	-	985,381	985,381
Other Companies Current accounts	-	-	-	277	277	277
Sundry debtors	-	-	-	504,937	504,937	504,937
Short term deposits	-	-	-	1,890,929	1,890,929	1,890,929
Total assets	99,648	985,381	19,553,895	2,396,143	23,035,067	23,035,067
Liabilities and shareholders' funds						
Bank overdraft	-	-	-	67,874	67,874	67,874
Government loans and grants	-	-	-	894,630	894,630	894,630
	-	-	-	962,504	962,504	962,504
As at 30 June 2014						
Assets						
Investments in quoted companies	-	-	6,602,084	-	6,602,084	6,602,084
Investments in other companies	-	-	10,528,886	-	10,528,886	10,528,886
Investments in Government securities	99,249	-	-	-	99,249	99,249
Loans	-	1,123,290	-	-	1,123,290	1,123,290
Other Companies Current accounts	-	-	-	352	352	352
Sundry debtors	-	-	-	259,361	259,361	259,361
Short term deposits	-	-	-	716,082	716,082	716,082
Cash and cash equivalents	-	-	-	88,257	88,257	88,257
Total assets	99,249	1,123,290	17,130,970	1,064,052	19,417,561	19,417,561
Liabilities and shareholders' funds						
Government loans and grants	-	-	-	886,182	886,182	886,182

Notes (continued)

4. Financial assets and liabilities and other fair values (continued)

Fair value hierarchy

The Corporation 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 Corporation's market assumptions. These two types of inputs have created the following fair value hierarchy:

a) Level 1

Quoted prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi Securities Exchange.

b) Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.

c) Level 3

Inputs for the assets or liabilities 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 Corporation considers relevant and observable market prices in its valuations where possible. The following table shows an analysis of financial instruments reflected at fair value by level of the fair value hierarchy.

	Level 1	Level 2	Level 3	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
30 June 2015				
Financial assets:				
Unquoted equity instruments	-	9,232,801	-	9,232,801
Quoted equity instruments	10,321,094	-	-	10,321,094
30 June 2014				
Financial assets:				
Unquoted equity instruments	-	10,528,886	-	10,528,886
Quoted equity instruments	6,602,084	-	-	6,602,084

Notes (continued)

	2015	2014
	Shs'000	Shs'000
5. Operating income		
Dividends	477,552	329,529
Interest on loans and advances	174,723	198,134
Application fees	6,702	3,037
Management & advisory services	14,434	11,225
Rental income	145,464	110,880
Interest on deposits	166,493	120,880
	<hr/>	<hr/>
	985,368	773,685
	<hr/>	<hr/>
6. Other income		
Gain / (loss) on disposal of quoted investments	718	(1,723)
Unrealised gains on investment property	5,788	215,990
Sundry income	10,888	2,067
Write back on loans and advances	52,326	45,470
	<hr/>	<hr/>
	69,720	261,804
	<hr/>	<hr/>
7. (a) Administration costs		
Staff costs (Note 7b)	188,856	180,946
Directors' expenses and emoluments	8,884	8,352
Rent and rates	2,350	3,920
Bank charges	611	445
Electricity and water	18,458	20,889
Publicity and advertising	9,746	10,159
Transportation, travelling and subsistence	11,823	14,223
Printing, stationery and photocopying	2,034	2,089
Motor vehicle operating expenses	1,024	1,556
Insurance costs	4,217	3,313
Professional expenses	4,155	12,242
Donations and other contributions	429	366
ICT expenses	6,638	7,924
Auditors' remuneration	3,206	2,996
Legal fees	4,082	1,201
Uchumi House security	9,264	7,739
VAT and other taxes	9,544	9,525
Uchumi House administration expenses	5,149	5,162
Repairs and maintenance	4,402	13,947
Subscriptions	1,461	1,096
Telephone expenses	3,260	3,482
Other operating expenses	12,954	4,614
	<hr/>	<hr/>
	312,547	316,186
	<hr/>	<hr/>

Notes (continued)

7. (b) Staff costs	2015	2014
	Shs'000	Shs'000
Salaries and allowances of permanent employees	140,698	134,687
Wages of temporary employees	3,675	2,495
Compulsory National Health Insurance schemes	516	253
Compulsory National Social Security schemes	138	216
Other pension contributions	10,917	7,303
Leave pay and gratuity provisions	4,028	5,782
Staff welfare	28,884	30,210
	<hr/>	<hr/>
	188,856	180,946
	<hr/>	<hr/>
The average number of employees at the end of the year was:		
Permanent employees – Management	57	59
Temporary and contract employees	9	9
	<hr/>	<hr/>
	66	68
	<hr/>	<hr/>
8. Operating profit	2015	2014
	Shs'000	Shs'000
The operating profit is arrived at after charging / (crediting):		
Staff costs (Note 7 (b))	188,856	180,946
Depreciation of property and equipment (Note 12)	29,894	30,420
Amortisation of intangible assets (Note 11)	810	1,104
Provision for bad and doubtful debts (managed funds)	-	53,470
Provision on bad and doubtful debts (loans and advances)	40,711	23,467
Directors' emoluments	14,245	16,500
- Fees and allowances	8,884	8,532
- Other emoluments included in staff costs	5,361	7,968
Auditors' remuneration - current year fees	3,206	2,996
	<hr/>	<hr/>
9. Finance costs		
Interest expense on loans	8,448	8,448
	<hr/>	<hr/>

Notes (continued)

10. Income tax expense	2015 Shs'000	2014 Shs'000
(a) Current taxation		
Current income tax	-	-
Deferred income tax charge	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

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

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

	2015 Shs'000	2014 Shs'000
Profit before income tax	1,519,306	602,394
Computed tax using the applicable tax rate at 30%	455,792	180,718
Tax effects of :-		
Income not subjected to tax	(416,406)	124,595
Expenses not deductible	53,271	-
Deferred tax on capital gains	36,030	-
Over provision of deferred tax in prior years	17,665	-
Movement in deferred income tax not recognised	(146,352)	(305,313)
	<hr/>	<hr/>
Income tax expense	-	-
	<hr/>	<hr/>

11. Intangible assets

Cost		
At start of year	36,674	35,080
Additions	1,554	1,594
	<hr/>	<hr/>
At end of year	38,228	36,674
	<hr/>	<hr/>
Amortisation		
At start of year	34,240	33,136
Charge for the year	810	1,104
	<hr/>	<hr/>
At end of year	35,050	34,240
	<hr/>	<hr/>
Net book value	3,178	2,434
	<hr/>	<hr/>

Notes (continued)

12. Property and equipment	Land and buildings Shs'000	Motor Vehicles Shs'000	Furniture & equipment Shs'000	Total Shs'000
Year ended 30 June 2014				
Cost / valuation				
At start of year	1,138,060	19,802	71,352	1,229,214
Additions	1,883	-	5,444	7,327
Revaluation	-	-	(33,555)	(33,555)
At year end	1,139,943	19,802	43,241	1,202,986
Depreciation				
At start of year	69,066	16,730	30,572	116,368
Charge for the year	19,089	1,530	9,801	30,420
Revaluation	-	-	(40,373)	(40,373)
At year end	88,155	18,260	-	106,415
Net book value at year end	1,051,788	1,542	43,241	1,096,571
Year ended 30 June 2015				
Cost / valuation				
At start of year	1,139,943	19,802	43,241	1,202,986
Additions	-	-	15,889	15,889
At year end	1,139,943	19,802	59,130	1,218,875
Depreciation				
At start of year	88,155	18,260	-	106,415
Charge for the year	19,123	1,530	9,241	29,894
At year end	107,278	19,790	9,241	136,309
Net book value at year end	1,032,665	12	49,889	1,082,566

Notes (continued)

12. Property and equipment (continued)

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

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

13 Investment property

	2015 Shs'000	2014 Shs'000
Opening valuation	925,500	563,140
Movements during the year:		
Additions	191,922	146,370
Fair value gain	5,788	215,990
Closing valuation	1,123,210	925,500

The fair value model has been applied for the investment property. The Corporation commissioned an internal professional valuer to determine the fair value of the investment property as at 30 June 2015 based on open market method.

14. Government securities

	2015 Shs'000	2014 Shs'000
At start of year	99,249	98,972
Amortisation of discount during the year	399	277
At end of year	99,648	99,249

The treasury bonds will mature on 14 March 2016. The effective interest rate on treasury bonds at 30 June 2015 was 11.87% (2014: 11.87%).

Notes (continued)

15. Unquoted investments

Valuation	2015 Shs'000	2014 Shs'000
At start of the year	10,719,050	9,575,401
Additions	180,004	430,000
Disposal	(860,000)	-
Fair value (loss) / gain	(616,089)	713,649
	<hr/>	<hr/>
At end of the year	9,422,965	10,719,050
	<hr/>	<hr/>
Impairment		
At start of the year	190,164	136,694
Impairment loss in the year	-	53,470
	<hr/>	<hr/>
At end of the year	190,164	190,164
	<hr/>	<hr/>
Net book value	9,232,801	10,528,886
	<hr/>	<hr/>

Managed funds

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

	2015 Shs' 000	2014 Shs' 000
Kenatco Transport Limited (in receivership) - Equity	6,900	6,900
Kisumu Cotton Mills(1983) Limited (in liquidation) - Equity	19,500	19,500
Pan African Vegetable Products Limited (in liquidation) - Equity	1,265	1,265
Pan Vegetable Processors Limited - Equity	15,805	15,805
South Nyanza Sugar Limited - Equity	10,000	10,000
	<hr/>	<hr/>
Gross amount	53,470	53,470
	<hr/>	<hr/>
Less: Provision for impairment	(53,470)	(53,470)
	<hr/>	<hr/>
Net amount	-	-
	<hr/>	<hr/>

Notes (continued)

16. Quoted investments	2015 Shs' 000	2014 Shs' 000
Opening valuation	6,602,084	3,629,183
Disposals	-	(822)
Fair value gain	3,719,010	2,973,723
	<hr/>	<hr/>
Closing valuation	10,321,094	6,602,084
	<hr/>	<hr/>

17. Trade and other receivables

Prepayment on staff loans	57,671	46,101
Recoverable expenses from associate companies	17,223	16,140
Dividends receivable	304,983	125,658
Receivable from Uchumi House tenants	121,768	96,342
Other debtors	112,168	38,012
	<hr/>	<hr/>
Gross trade and other receivables	613,813	322,253
Less: Impairment losses	(108,876)	(75,562)
	<hr/>	<hr/>
Net trade and other receivables	504,937	246,691
	<hr/>	<hr/>

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

	2015 Shs'000	2014 Shs'000
At start of year	75,562	66,226
Movement during the year	33,314	9,336
	<hr/>	<hr/>
At end of the year	108,876	75,562
	<hr/>	<hr/>

Notes (continued)

18. Loans

(a) Outstanding loans	2015	2014
	Shs'000	Shs'000
(i) Large and medium loans		
Loans to significant companies	5,421	55,393
Less: Impairment losses	(5,400)	(5,400)
	<hr/>	<hr/>
Net large and medium loans	21	49,993
	<hr/>	<hr/>

(ii) Small loans	Performing	Non-	Total
As at 30 June 2015	loans	performing	loans
	Shs '000	loans	Shs '000
	Shs '000	Shs '000	Shs '000
Commercial	599,514	2,709,298	3,308,812
Property	319,815	414,954	734,769
Industrial	-	2,538,281	2,538,281
Machinery	-	412,333	412,333
ICDC/General Motors Kenya Limited / ICDC/Kenya Breweries Limited	-	20,091	20,091
Personal loans	35,444	147,924	183,368
ICDC – Kenya Bus Services Limited	-	33,583	33,583
Hire purchase	-	145,427	145,427
Corporate	-	7,427,870	7,427,870
Unclassified loans	-	(583)	(583)
	<hr/>	<hr/>	<hr/>
Total small loans	954,773	13,849,178	14,803,951
Less: Impairment losses	(34,969)	(13,783,622)	(13,818,591)
	<hr/>	<hr/>	<hr/>
Net small loans	919,804	65,556	985,360
	<hr/>	<hr/>	<hr/>
Net large and medium loans	-	21	21
	<hr/>	<hr/>	<hr/>
Total net loans	919,804	65,577	985,381
	<hr/>	<hr/>	<hr/>

Notes (continued)

18. Loans (continued)

As at 30 June 2014

(ii) Small loans (continued)

	Performing loans	Non- performing loans	Total
	Shs '000	Shs '000	Shs '000
Commercial	775,272	2,451,230	3,226,502
Property	255,985	828,164	1,084,149
Industrial	-	2,597,312	2,597,312
Machinery	-	307,232	307,232
ICDC/General Motors Kenya Limited / ICDC/Kenya Breweries Limited	-	20,678	20,678
Personal loans	43,120	135,608	178,728
ICDC – Kenya Bus Services Limited	-	34,564	34,564
Hire purchase	-	138,768	138,768
Corporate	-	7,349,324	7,349,324
Unclassified loans	-	(583)	(583)
Total small loans	1,074,377	13,862,297	14,936,674
Less: Impairment losses	(14,130)	(13,849,429)	(13,863,559)
Net small loans	1,060,247	12,868	1,073,115
Net large and medium loans	49,993	182	50,175
Total net loans	1,110,240	13,050	1,123,290

(b) Impairment losses on loans

	2015 Shs'000	2014 Shs'000
At start of the year	13,868,959	14,562,262
Increase in impairment	7,397	14,130
Impairment losses no longer required	(52,346)	(45,470)
Loans written off	(19)	(661,963)
Net large and medium loans	13,823,991	13,868,959
Comprising of:		
Large and medium loans	5,400	5,400
Small loans	13,818,591	13,863,559
Total loans impairment	13,823,991	13,868,959

Notes (continued)

19. Provisions

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

	2015 Shs' 000	2014 Shs' 000
Provision for managed funds (Note 15)	-	53,470
Provision for Uchumi House tenants	33,314	9,336
General provisions in loans and advances	7,397	14,131
	<hr/>	<hr/>
Total provisions	40,711	76,937
	<hr/>	<hr/>

20. Cash and cash equivalents

For purposes of cash flow statement:

Short term deposits	1,890,929	716,082
Cash in bank	-	88,257
	<hr/>	<hr/>
Cash and cash equivalents	1,890,929	804,339
	<hr/>	<hr/>
Bank overdraft	(67,874)	-
	<hr/>	<hr/>
Cash and cash equivalents	1,823,055	804,339
	<hr/>	<hr/>

The average effective interest rate on the short term deposits as at June 30, 2015 was 11.51% (2014: 11.13%).

An amount of Shs 12,670,000 (2014: Shs 12,670,000) included in cash above are restricted funds which are funds deposited in an escrow account in relation to a suit against the Corporation.

21. Reserves

Revaluation reserve

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

Fair value adjustment reserve

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

Notes (continued)

21. Reserves (continued)

Retained earnings

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

22. Loans and grants

	2015 Shs'000	2014 Shs'000
Grants:		
From the Government of Kenya	529,971	529,971
	-----	-----
Loans from Government of Kenya:		
Balance at beginning of the year	333,108	345,181
Accrued additional interest	7,928	7,927
Principal repaid during the year	-	(11,552)
Interest repaid during the year	-	(8,448)
	-----	-----
Balance at end of the year	341,036	333,108
	-----	-----
Loans from KFW of West Germany		
Balance at beginning of the year	23,103	27,581
Accrued additional interest	520	522
Repayment during the year	-	(5,000)
	-----	-----
Balance at end of the year	23,623	23,103
	-----	-----
Total loans and grants	894,630	886,182
	=====	=====

There is a proposal to the Government of Kenya to restructure the Corporation's balance sheet. This will include conversion of some of the above loans and grants into equity and the balance into term loans at agreed interest rates. The directors are of the opinion that the restructuring proposal will be implemented in the near future.

23. Deferred tax asset

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%.

Deferred tax has also been calculated using the enacted rate of 5% on capital gains arising on investment property. Tax on capital gains was re-introduced and became effective 1 January 2015.

Notes (continued)

23. Deferred tax asset (continued)

The net deferred tax asset at year end is attributable to the following items:

	2015 Shs'000	2014 Shs'000
Property and equipment	(606)	(530)
Provisions	(1,098,996)	(1,216,730)
Deferred tax on capital gains	36,060	-
Tax losses carried forward	(46,957)	(39,591)
	<hr/>	<hr/>
Balance at end of the year	(1,110,499)	(1,256,851)
	<hr/>	<hr/>

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

24. Trade and other payables

	2015 Shs'000	2014 Shs'000
General creditors	78,912	73,682
Rent deposit	26,260	23,786
	<hr/>	<hr/>
Total	105,172	97,468
	<hr/>	<hr/>

25. Retirement benefit obligations

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

	2015 Shs'000	2014 Shs'000
Balance at beginning of the year	217,778	192,279
Company contributions during the year	9,505	6,562
Employee's contributions during the year	4,753	3,281
Interest earned on investment of contributions	24,455	21,917
Paid out during the year	(15,460)	(6,261)
	<hr/>	<hr/>
Balance at end of the year	241,031	217,778
	<hr/>	<hr/>

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

Notes (continued)

26. Dividend payable to the Government of Kenya

The Corporation paid Shs 35,000,000 (2014: Shs Nil) to the Government of Kenya during the year ended 30 June 2015.

	2015 Shs'000	2014 Shs'000
Year 2015	-	-
Prior years	90,000	125,000
	<hr/>	<hr/>

27. Notes to the statement of cash flows

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

	2015 Shs'000	2014 Shs'000
Profit before income tax	1,519,306	602,394
Adjustments for:		
Depreciation of property and equipment (Note 12)	29,894	30,420
Amortisation of intangible assets (Note 11)	810	1,104
Provision for managed funds (Note 15)	-	53,470
Gain on disposal of unquoted investments	(856,628)	-
Loss on disposal of quoted Investments	-	1,723
Interest on Government of Kenya loans (Note 9)	8,448	8,448
Change in investment in treasury bonds (Note 14)	(399)	(277)
Gain on revaluation of investment property (Note 13)	(5,788)	(215,990)
	<hr/>	<hr/>
Operating profit before changes in working capital	695,643	481,292
Loans and advances	137,909	(117,919)
Trade and other debtors	(258,246)	134,405
Payables and accrued expenses	7,704	13,227
Subsidiary companies current accounts	75	9,887
	<hr/>	<hr/>
Cash generated from operations	583,085	520,892
	<hr/>	<hr/>

Notes (continued)

27. Notes to the statement of cash flows (continued)

b) Analysis of changes in loans

	2015 Shs'000	2014 Shs'000
Balance at beginning of the year	1,123,290	1,005,371
Net change	(137,909)	117,919
	<hr/>	<hr/>
Balance at end of year	985,381	1,123,290
	<hr/>	<hr/>

c) Cash and cash equivalents

Short term deposits	1,890,929	703,412
Cash at bank	-	88,257
Bank overdraft	(67,874)	-
	<hr/>	<hr/>
Balance at end of year	1,823,055	791,669
	<hr/>	<hr/>

28. Related parties

a) Government of Kenya

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

b) Investment in other related companies

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

i. Dividends earned during the year are as follows:

	2015 Shs'000	2014 Shs'000
Dividends (Note 5)	477,552	329,529
	<hr/>	<hr/>

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

Notes (continued)

28. Related parties (continued)

ii. Key management compensation:

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

	2015	2014
	Shs'000	Shs'000
Salaries	6,480	6,480
Pension	1,488	1,488
	<hr/>	<hr/>
	7,968	7,968
	<hr/>	<hr/>

iii. Directors' remuneration

Fees for services as non-executive directors	8,884	8,532
Other included in key management compensation above	5,361	7,968
	<hr/>	<hr/>
	14,245	16,500
	<hr/>	<hr/>

iv. Loans and advances to staff

Loans and advances to staff	182,804	144,929
	<hr/>	<hr/>

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

v. Advances to other related parties

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

vi. Employees

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

Notes (continued)

28. Related parties (continued)

vii. Uchumi House tenants

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

	2015 Shs'000	2014 Shs'000
Rent receivable from Government ministries and Parastatals	67,919	45,440
Rent receivable from other tenants	53,849	50,902
	<hr/>	<hr/>
Total rent receivable	121,768	96,342
	<hr/>	<hr/>

29. Capital commitments

Amounts authorised and contracted for:

a) Investments

Loans	428,000	25,000
Equity	670,000	810,000
	<hr/>	<hr/>

Total investments approved	1,098,000	835,000
	<hr/>	<hr/>

b) Capital commitments

Total commitments	559,767	311,121
Less: Contracted and engaged	(53,544)	(131,919)
	<hr/>	<hr/>

	506,223	179,202
	<hr/>	<hr/>

Total commitments	1,604,223	1,014,202
	<hr/>	<hr/>

30. Contingent liabilities

Bank guarantees	35,000	35,000
Legal claims against ICDC	71,579	71,579
	<hr/>	<hr/>

	106,579	106,579
	<hr/>	<hr/>

Notes (continued)

30. Contingent liabilities (continued)

As at 30 June 2015, the Corporation had issued guarantees amounting to Shs 35,000,000 (2014: Shs 25,000,000) in favour of third parties. No losses are expected from these guarantees.

The Corporation has been sued by third parties for claims amounting to Shs 71,579,012 (2014: Shs 71,579,012) including the interest thereon and costs of the suits. In addition, the Corporation has deposited Shs 12,670,000 in a joint interest earning account with the advocates of parties in a suit with the Corporation and obtained a bank guarantee of the same amount in respect of the matter. No provision has been made in these financial statements as the directors are of the opinion that no liability in respect of the above matters will crystallise.

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

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

31. Future rental commitments under operating leases

	2015	2014
	Shs'000	Shs'000
The total future minimum lease payments due from third parties under non – cancellable leases are as follows:		
Due within one year	133,353	116,345
Due within one year but less than 5 years	347,103	354,080
Due after 5 years	6,160	13,449
	486,616	483,874
	486,616	483,874

32. Incorporation

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