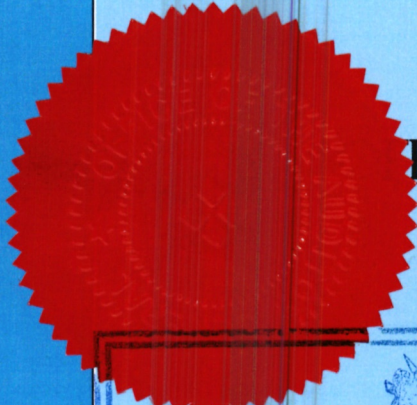
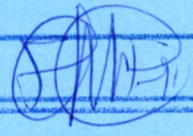


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 12 NOV 2019	DAY: TUESDAY
TABLED BY:	MAJORITY LEADER
CLERK-AT THE-TABLE:	

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
EXPORT PROCESSING ZONES AUTHORITY**

**FOR THE YEAR
ENDED 30 JUNE 2018**

PARLIAMENT
OF KENYA
LIBRARY



EXPORT PROCESSING ZONES AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2018

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

Export Processing Zones Authority
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KEY EPZA INFORMATION AND MANAGEMENT

(a) Background information

The Export Processing Zones Authority (EPZA) was established under the EPZ Act (Cap 517) on 23 November, 1990 for the promotion and facilitation of export-oriented investments and the development of an enabling environment for investment in the export sector. EPZA is domiciled in Kenya and its head office located at the Athi River Export Processing Zone. It has regional offices in Mombasa and Kisumu Cities.

EPZA, being a state corporation, is governed by The State Corporations Act (Cap 446) in addition to the EPZ Act of the Laws of Kenya. It thus adheres to the rules and regulations stated in both Acts in addition to other relevant laws. EPZA is provided with general direction by a board comprising 14 members appointed from both private and public sectors. The board is headed by a chairman from the private sector, appointed by His Excellency, the President.

The day to day operations of EPZA are managed by a staff of 177 headed by the Chief Executive Officer, hereafter referred to as CEO, who is appointed by the Cabinet Secretary for the Ministry responsible for Industry, on recommendation by the Board. The CEO is charged with the direction of the affairs and transactions of EPZA, the exercise, discharge and performance of the Authority's objectives, functions and duties, and the administration and control of the employees of the Authority.

To discharge its mandate and functions effectively, the EPZ Authority has been structured into various directorates, departments, sections and units. The directorates and departments report directly to the CEO and are headed by General Managers and managers respectively.

The directorates are: Operations and Investor Support; Investment and Corporate Communications; Research, Strategy and Compliance; Commercial and Technical Services; Finance, HR and Administration while departments are Corporate and Legal Services; Supply Chain Management and Internal Audit.

(b) EPZA Principal Activities

Vision

EPZA's Vision is: "To Be the Leading Agency for the Promotion of Export Oriented Investments and Trade"

Mission

EPZA's Mission is: "To Efficiently Attract and Retain Export Oriented Investments and Trade"

Core Objectives

As stipulated in the EPZ Act of 1990 the objective and the purpose of establishment is to efficiently attract and retain export oriented investments and trade.

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KEY EPZA INFORMATION AND MANAGEMENT (Continued)

The Authority's Key activities are:

- Development of all aspects of the export processing zones with particular emphasis on provision of advice on the removal of impediments to, and creation of incentives for, export-oriented production in areas designated as export processing zones;
- Regulation and administration of approved activities within the export processing zones; and
- Protection of government revenues and foreign currency earnings.

(c) Key Management

The Authority's day-to-day managements under the following key organs:

- Board of Directors;
- Chief Executive Officer; and
- Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Mr. Fanuel Kidenda
2.	General Manager, Commercial & Technical Services	Mr. Thomas Soigwa
3.	General Manager, Operations& Investor Support	Dr. Meshack Kimeu
4.	General Manager, Investment & Corporate Communications	Mr. Jonathan Chifallu
5.	General Manager, Finance, HR & Administration	Ms. Benter Omollo
6.	Corporate Secretary and Manager Legal Services	Ms. Maria Ouya
7.	Manager, Research, Planning& Innovation	Mr. Benjamin Chesang
8.	Manager, Human Resource& Administration	Mr. Thomas Mongare
9.	Manager, Internal Audit	Mr. Jorum Ngunyi
10.	Manager, Supply Chain (Acting)	Mr. James Kimani
11.	Manager, Preventive Services	Mr. Jonathan Chepkwony
12.	Manager, Information Communication Technology	Mr. Elijah Odhiambo

(e) Fiduciary Oversight Arrangements

The Board has delegated some of its mandate to Board Committees. There are three standing committees of the Board which meet independently i.e. Board Audit Committee, Finance and Staff Committee and Strategy Investments & Special Projects Committee.

KEY EPZA INFORMATION AND MANAGEMENT (Continued)

Board Audit Committee

The functions of the Board Audit Committee will include: -

- To review the scope and planning of the audits;
- To review the Annual Financial Statements of the Authority, focusing particularly on:
 - i. Compliance with Government Financial Regulations, International Accounting Standards, other legal requirements and best practice;
 - ii. Significant adjustments arising from the audit
 - iii. Any changes in accounting policies and practices;
- To discuss interim and final audits, management letter and any matter the external auditor(s) (Office of the Auditor General) may wish to discuss;
- Any other functions that the Authority may decide from time to time that are incidental or conducive to the attainment of the objectives of the Authority.

Finance and Staff Committee

The functions of the Finance and Staff Committee will include: -

- To approve and maintain budgetary systems of the Authority;
- To oversee financial reporting process and Authority's system;
- To review and recommend to the Board approval of the Annual Procurement Plan
- To receive and review quarterly procurement reports and recommend to the Board approval of the reports
- To approve and give recommendations on borrowings by the Authority;
- To review and recommend to the Board as appropriate all matters pertaining to the preparation of capital budgets;
- To monitor all major capital project
- Monitor the financial reporting process to ensure compliance with all regulatory returns, and reports as required to be made to Government;
- To approve recommendations on Terms and Conditions of Employment in the Authority, recruitment functions and staff appraisals;
- To ensure that effective management succession planning and management development plans are in place;
- To approve programmes and policies involving the overall compensation of employees and Authority's collective bargaining agreement;
- To receive and review quarterly reports on Human Resource at the Authority

Strategy, Operations and Investments Committee

The functions of the Strategy, Operations and Investments Committee will include: -

- To adopt a strategic planning process and provide leadership in setting the Authority's strategic Direction;
- To review and recommend for the Board's approval the Authority's 5-year Strategic plan, objectives, budgets, performance indicators, business plans, annual work plans and Performance contracts established to achieve them;

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- To review and monitor corporate performance against approved targets and measures;

KEY EPZA INFORMATION AND MANAGEMENT (Continued)

- Review, approve or recommend to the Board as appropriate all matters pertaining to the preparation of performance contracts
- To receive, review and recommend the approval of the board the quarterly performance contract reports
- To ensure policies and processes are in place for effective communication with the Government, other stakeholders and the public;
- To approve and monitor compliance with significant policies and procedures which have a material impact on the operations of the Authority;
- Monitor and approve or recommend to the Board as appropriate all matters relating to maintenance of physical assets of the Authority and leasing;
- Policy Issues that affect EPZs, Free Zones and Economic Zones worldwide and investment including the World trading system – W.T.O., AGOA and Regional groupings including COMESA and E.A.C.,
- To make proposals to Government for enhancement of the EPZ programme;
- To develop a programme to promote the participation of indigenous Kenyans/small and medium size enterprises in the EPZ programme;
- To develop the Incubator project in the EPZ programme;
- To develop linkages between the EPZs and the domestic market including sourcing raw materials, packaging materials and supplies, matters related to technology/development sourcing and training linked to skills required in EPZs;
- To develop and monitor all Authority's promotion Public Relations and marketing policies and strategies;
- To advise the Board on emerging threats and opportunities from the changing environment, based on market analyses;
- EPZA's Advisory role to government on the development of the EPZ programme.
- EPZA's implementation of policies and programmes of Government in respect of development of EPZs;
- Any other functions that the Authority may decide from time to time that are incidental or conducive to the attainment of the objectives of the Authority.

(f) EPZA Headquarters

Administration Building, Viwanda Road,
Off Nairobi-Namanga Highway,
Athi River, Kenya
P.O. Box 50563,
Nairobi 00200, Kenya.

(g) EPZA Contacts

Telephone: ISDN +254-45-6621000
VoIP Lines: 020-7606040/3
Cell phone: Safaricom: 0713-051172/3
Airtel: 0786-683222/0733-683222
E-mail: information.desk@epzakenya.com
Website: www.epzakenya.com

KEY EPZA INFORMATION AND MANAGEMENT (Continued)

(h) EPZA Bankers

National Bank of Kenya
Haile Selassie Avenue
P.O. Box 45219-00100
Nairobi, Kenya

Kenya Commercial Bank
Kajiado-Namanga Road
P.O. Box 126-00242
Kitengela, Kenya

Bank of Africa
Re-insurance Plaza, Taifa Road
P.O Box 69562-00400
Nairobi, Kenya

Co-operative Bank of Kenya
Co-operative House, Haile Selassie Avenue
P.O Box 48231-00100
Nairobi, Kenya

Housing Finance
Rehani House, Kenyatta Avenue/Koinange Street
P.O. Box 30088-00100
Nairobi, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

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KEY EPZA INFORMATION AND MANAGEMENT (Continued)

Wekesa & Simiyu Advocates
ACK Garden House
1st Ngong Avenue
P.O. Box 10299 – 00100
Nairobi, Kenya

Nzei & Co Advocates, Commissioners for Oaths,
Solanki House
Mutonga Road
P.O. Box 392
Machakos, Kenya

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THE BOARD OF DIRECTORS

No	Director's passport-size photo and name, and key profession/academic qualifications	Concise description of each Director's date of birth, Key qualifications and work experience
1	 Abdikadir A. Abdulla EPZA Chairman Msc (Development Administration)	Mr. Abdikadir Abdulla is the Chairman of EPZA. Born in 1947, he holds Msc in Social Sciences (Development Administration) and has over 30 years' experience in areas of local governance and devolved system. Previously Mr. Abdikadir was the executive Director of Northern Region Development Authority (NORDA) and Chief Executive officer of Mandera County Council.
2	 Betty C. Maina, CBS Principal Secretary-State Department of Investment and Industry MSc (Development Administration) BA (Land Economics)	Ms. Betty C. Maina is the Principal Secretary, State Department of Investment and Industry in the Ministry of Industry, Trade and Cooperatives. Before the latest appointment, she was the CEO of Kenya Association of Manufacturers. Ms. Betty Maina has over 20 years' experience in economic policy development and private sector development and advocacy, trade policy, regional integration, education and skill development, integrated development, organisational management, public policy research, analysis, communication and advocacy and extensive experience in facilitation and training. She is a holder of an MSc degree in Development Administration from the University College London and BA degree in Land Economics from the University of Nairobi. She has received several State Commendations (HSC in 2003, MBS in 2010 and CBS in 2016) from H.E. the President of the Republic of Kenya for her work in Kenya and also continues to serve on various boards in the public sector and civil initiatives.
3	 Walter N. Kamau Economist MA (Economics)	Mr. Walter Kamau is the representative of the Kenya Association of Manufacturers at the board. Mr. Kamau has over 10 years' experience in Public sector in areas of trade and international Policy. He also has over 19 years of experience at KAM on areas of regional Integration policies, bilateral agreements and International trade agreements. Mr. Kamau serves as the Secretary to KAM Trade and Tax Committee and Co-Chair of Kenya's National Monitoring Committee on non-tariff barriers He holds a Master's degree in Economics.
4	 Laban O. Rao Industrialist Dip (Plant Engineering)	Mr. Laban Onditi Rao is the representative of the Kenya National Chamber of Commerce and Industry at the Board. Mr. Rao is the Managing Director of Scorpion Construction Limited and the Vice chair of Kenya National Chamber of Commerce and Industry. He holds Diploma in Plant Engineering.

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5	 Kenneth B. Nyachae Marketing Consultant MBA (Marketing)	Mr. Kenneth Nyachae is a Member of the Board from the Private Sector. Born in 1959. Mr Nyachae holds a MBA with a bias in Marketing, from the University of Bridgeport, in CT, USA and is currently the Chairman of Kenfident Insurance Brokers Limited. He has over 25 years' experience in both the Marketing of various industrial products and Insurance business. Mr. Nyachae is the Chair of the Strategy, Operations and Investments Committee.
6	 Winnie Wachui Maina Consultant MBA (Finance Option)	Ms. Winnie Wachui Maina is a member from the private sector. Born in 1985, Winnie is a consultant with Investment Web and holds Master's degree in Business Administration (Finance Option). She has worked for over 6 six years' experience in research and consultancy.
7	 Amina T.S. Said Advocate LLM (International Law)	Ms. Amina T. S. Said is a Member from the Private Sector. Born in 1976, Ms. Said is an Advocate of the High Court of Kenya and holds Master's degree in International Law from the University of Westminster, London. She has worked for over 9 years as a legal officer with TSS Group of Companies. Her experience lies in commercial law with a diverse background in the private sector in areas of tea export, transportation, flour milling and textiles. Ms. Said is the Chair of the Finance and Staff Committee.
8	 Dr. Moses Ikiara MD- Kenya Investment Authority PhD (Environmental and Natural Resource Economics)	Dr. Moses Ikiara is the Managing Director of Kenya Investment Authority and represents Kenya Investment Authority at the Board. Dr. Ikiara holds a PhD in Environmental and Natural Resource Economics. Born in 1966, Dr. Ikiara has over 15 years' experience in Public Policy and Analysis.

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9	 Joseph Nzioka Advocate LLB	Mr. Joseph Nzioka is the Managing Partner at Nzioka & Co. Advocates. A graduate of university of Nairobi, Nzioka has over 20 years as an advocate. His expertise lies in litigation, legal research, personal injury, civil litigation, strategic planning, corporate law, commercial litigation, arbitration, legal writing and legal advice.
10	 Dr. Lydia Ndirangu Economist, PhD (Development Economics)	Dr. Lydia Ndirangu is the representative of the Governor, Central Bank of Kenya at the Board. Born in 1966, Dr. Ndirangu holds PhD in Development Economics and she is the Head of Research Centre at Kenya School of Monetary Studies (KSMS). Dr. Ndirangu has over 25 years' experience in Research, Public Policy and Analysis.
11	 Abigael M. Mukolwe Land Economist MA(Urban Management)	Commissioner Abigael M. Mukolwe is the Vice Chair of the National Land Commission. She holds Masters in Urban Management and has over 20 years' experience in land management and governance matters.
12	 Stanley Kagera Economist MA (Economic Policy) BA (Economics)	Mr. Stanley Kagera is the Alternate Director of the Cabinet Secretary, National Treasury. He holds a Masters in Economic Policy (Makerere University) and a Bachelor of Arts in Economics (Kenyatta University). Mr Kagera is an Economist in various ministries. Currently he is the Deputy Director, Public Private Partnership (PPP) Unit at the National Treasury.
13	Benson Chacha	Mr. Benson Chacha is the representative Commissioner of Customs Services, KRA.
14	 Fanuel Kidenda CEO-EPZA MBA (Strategic Management),	Mr. Kidenda is the Chief Executive Officer of EPZA. Born in 1974, he holds a MBA (Strategic Management), a Bachelor of Commerce (Marketing) and is currently finalizing his dissertation for a PhD in Business Administration (Strategic Management). Fanuel also holds certifications in Industrial Zone Planning and Development, Entrepreneurship, Export Marketing, Counselling and Investment Promotion. He has over 10 years' experience in senior management positions in the areas of Investments Promotion, Project Planning, Resource Mobilization, Marketing and Operations

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15	 Maria Ouya Advocate LLB, MBA	Ms. Maria Ouya is the Corporate Secretary/Senior Manager-Legal Services of EPZA. She holds a Bachelor of Laws (LLB), Postgraduate Diploma in Laws and an MBA. Ms. Ouya is a Certified Public Secretary, an Advocate of the High Court of Kenya and an Associate Member of the Institute of Chattered Arbitrators. She has over 20 years' experience in legal matters.
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MANAGEMENT TEAM

No	Passport-size photo, name, and key profession/academic qualifications	Main Area of Responsibility
1	 Fanuel Kidenda Chief Executive Officer MBA (Strategic Management) BCom (Marketing)	Mr. Kidenda is the Chief Executive Officer of EPZA. Born in 1974, he holds a MBA (Strategic Management), a Bachelor of Commerce (Marketing) and is currently finalizing his dissertation for a PhD in Business Administration (Strategic Management). Fanuel also holds certifications in Industrial Zone Planning and Development, Entrepreneurship, Export Marketing, Counseling and Investment Promotion. He has over 10 years' experience in senior management positions in the areas of Investments Promotion, Project Planning, Resource Mobilization, Marketing and Operations
2	 Thomas O. Soigwa GM-Commercial & Technical Services MBA(Strategic Management) B.A (Economics)	Mr. Thomas Soigwa is the General Manager, Commercial & Technical Services. He holds MBA (Strategic Management), B.A (Economics) and a member of Marketing Society of Kenya, with over 15 years' experience in Senior management positions gained from Kenya Airways, Barclays Bank of Kenya, East African Portland Cement Company, Housing Finance and Coast Development Authority.
3	 Dr. Meshack Kimeu, (PhD) GM-Operations and Investor Support PhD, MBA and BBA (Marketing)	Dr. Kimeu is the General Manager, Operations & Investor Support. Born in 1962, he holds PhD, MBA and BBA in Marketing. He has over 20 years' experience in investment promotion, marketing and investor support services.
4	 Jonathan Chiffalu GM-Investment & Corporate Communications MSc (International Business Management), BA (Business Administration)	Mr. Chiffalu is the General Manager, Investment & Corporate Communications. Born in 1960, he holds MSc in International Business Management and a BA in Business Administration. He has over 20years experience in investment promotion, marketing, corporate image branding and communications. Chiffalu also holds Postgraduate Diploma in International Marketing and Entrepreneurship development

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5	 Benter A. Omollo GM-Finance, HR and Administration MBA-Finance MA-PP&M MICPAK/ICPSK B.Com- Finance	Mrs Benter A. Omollo is the General Manager, Finance, HR and Administration. Born in 1968, she holds MBA (Finance), M.A.PPM, Bachelor of Commerce (Finance), CPA (K), CPS (K) and a member of ICPAK/ICPSK, and is doing PhD in Business Administration (Finance) with over 15 years' experience in Senior management positions in finance gained from KIWASCO, Kenya Maritime, C-MAD and Lake Basin Dev. Company and EPZ Authority.
6	 Maria L. O. Ouya Corporate Secretary & Manager Legal Services MBA, LLB Postgraduate Dip (Law)	Ms. Maria Ouya is the Corporate Secretary & Manager Legal Services of EPZA. She holds a Bachelor of Laws (LLB), Postgraduate Diploma in Laws and an MBA. Ms. Ouya is a Certified Public Secretary, an Advocate of the High Court of Kenya and an Associate Member of the Institute of Chattered Arbitrators. She has over 20 years' experience in legal matters.
7	 Benjamin Chesang Manager-Research, Planning& Innovation MA, BA (Economics)	Mr. Benjamin Chesang is the Manager Research, Planning& Innovation at EPZA. Born in 1965, he holds a BA in Economics and an MA in Economics. He has over 20 years' experience in public policy and senior management.
8	 Thomas Mongare Manager- Human Resources & Administration MSc(Human Resources) Post Graduate Dip (HRM)	Mr. Thomas Mongare is the Manager Human Resources and Administration. Born in 1965, he holds MSc In Human Resources and a post graduate Diploma in HRM. He serves as a director at the Institute of Human Resource Management (IHRM) and has over 22 years experiences in Human resources management in both Private and public sector. Previously he was manager Human Resources at Federation of Kenya Employers

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9	 Jorum Ngunyi Manager-Internal Audit MBA(Accounting) CPA(K), CSIA	Mr. Jorum Ngunyi is the Internal Audit Manager EPZA. He holds MBA in Accounting, CPA(K), CSIA; a member of ICPAK and IIA, and has over 10 years of experience in risk management and auditing gained from Kenya National Audit Office, National Environmental Authority and Jomo Kenyatta Foundation.
10	 James Kimani Acting Head of Supplies Chain B.A MBA (On-going)	Mr James Kimani is the Acting Manager, Supply Chain. He holds Bachelor of Arts Degree and is a continuing MBA student at Catholic University of Eastern Africa. He has worked at EPZA for 24 years in Administration and Procurement Departments.
11	 Mr. Jonathan Chepkwony Manager- Preventive Services MA(Security Management & Police Studies) BA(Sociology) ASIS International	Mr Jonathan Chepkwony is the Preventive Services at Export processing Zones Authority. He holds an MA, in Security Management & Police Studies & BA, in Sociology. He is a Member of ASIS International, an International Organization for Security professionals'. Mr. Chepkwony has over 20 Years' experience obtained in the Disciplined Forces and Corporate world in Security Management.
12	 Elijah Odhiambo Manager-ICT BSc.-ICT Management Diploma (Electronics Engineering), Microsoft Certified Professional (MCP) Cyberoam Certified Network Professional	Mr. Elijah Odhiambo is the Manager, Information Communication Technology. Born in 1973 he holds a BSc in ICT management and a Diploma in electronics engineering. He is also a Microsoft Certified Professional (MCP), a Cyberoam Certified Network Professional (CCNSP), a Member of (MBCS) and ISACA. He has over 15 years' experience in ICT management and previously served at the Kenya School of Government and in the private sector.

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CHAIRMAN'S STATEMENT

BUSINESS REVIEW

It is my pleasure to present to you the Annual Report and Financial Statements for Export Processing Zones Authority for the Year Ended 30th June 2018.

The Export Processing Zones Authority was able to undertake its core activities during the year in accordance with the 2014/2019 Strategic Plan. The activities include development of Public Export Processing Zones (EPZs) establishment of private EPZs, development of Small and Medium Enterprise (SME) Park, development of textile and leather hub in addition to investment promotion.

As a result of the undertakings, the EPZ programme in year ended June 2018 maintained an upward trend. It recorded growth in principal indicators like exports, expenditure on local goods & services and employment. Direct local employment expanded by 7.7%, while expenditure on local goods & services rose by 8.1% in the year to June 2018. While on the other hand exports and total sales rose by 3.6% and 0.8% respectively.

The implementation of Export Business Accelerator (EBA) -Incubator, has improved export business by small scale indigenous enterprises. The number of EPZ firms with local ownership has risen to 36.6%. This performance went to contribute towards Kenya's economic growth in 2017.

The challenges encountered in the implementation of key activities were delays in receiving development funding from Treasury, heightened political activity in preparation for the August 2017 General Elections and the emerging global trade protection trends e.g. USA and Britain. The effect is that projects such as construction of textile industrial sheds has been delayed, investors have remained non-committal and export markets unpredictable respectively.

The growth achieved in 2017 is expected to be sustained in 2018. This is because peaceful elections, continued government support and enhanced EPZ investment promotion activities are envisioned.

APPRECIATION

I would like to express my sincere appreciation to the Board Members, Management and the staff for their dedication which has enabled the continuous growth of the programme. The growth has also been possible through the continued support of our investors and other stakeholders.

Finally, I would like to thank the government for the continued support, guidance and a good working relationship.


Chairman

Export Processing Zones Authority
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REPORT OF THE CHIEF EXECUTIVE OFFICER

I am delighted to present to you EPZ Authority's Annual report and financial statements for the year ended 30th June, 2018.

Operating Results

The Authority posted an operating deficit of Kshs 8.54 million, a decline by 71% from a deficit of Kshs 29.02 million realized in the previous financial year. This reduction in deficit is attributed to cost-cutting measures as well as non-monetary transactions arising from recognition of deferred income from government grant.

Authority's total revenue rose by 2% during the year to close at Kshs 455.36 million up from Kshs 447.76 million reported in FY 2016/17. Appropriation-in-Aid was Kshs 419.76 million (2016/2017, Kshs 406.96 million) while the recurrent grant from the government of Kenya (GOK) totalled Kshs 35.6 million (2016/17, Kshs 40.8 million). The Authority also received Kshs 560.67 million (FY 2016/17, Kshs 782.21 million) in development grant.

Total expenditure declined by 5% during the year to settle at Kshs 460.00 million down from 482.10 reported in FY 2016/17.

Performance of EPZ Programme

In the year ended June 2018, most of the performance indicators exhibited an upward trend compared to the year 2017. The number of gazette zones rose to 80 in 2018 from 65 in 2017.

Exports and total sales value increased by 3.6% and 0.8% to stand at Kshs 72,538 million and Kshs 75,421 million respectively. Sales to the domestic market stood at Kshs 2,883 million in 2018 from Kshs 4,137 million in 2017. Direct employment expanded by 7.7% from 53,975 persons recorded in 2017 to 58,122 persons in 2018.

Cumulative investment for the operating enterprises and zones in the form of machinery, equipment, machinery, funds and assets invested stood at Kshs 95,902 million in 2018 from Kshs 88,970 million in 2017, representing an increase of 7.8%.

Imports increased by 2.8% to stand at 29,387 million in 2018 from Kshs 28,593 million in 2017. Expenditure on local goods and services increased by 8.1% in 2018 to stand at Kshs 29,112 million from Kshs 26,928 million recorded in the year 2017. This translates to an average of Kshs 2,426 million being injected into the economy by EPZ firms monthly in the year 2018 compared to Kshs 2,244 million in the previous year.

These resources go to the payment of local workers' salaries/wages, local supply of inputs/consumables; electricity, telecommunication, water, rent and transportation among others, which at the end of the day stimulate demand and growth of the domestic economy. These expenditures explain growth in areas surrounding EPZ zones in their respective geographical locations and beyond.

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REPORT OF THE CHIEF EXECUTIVE OFFICER (Continued)

Operational Challenges

The performance of the program would have been enhanced if certain negative factors had not impacted the EPZ program. The cost of borrowing of funds by EPZ enterprises was prohibitive, hence denied several existing and potential investors opportunity to timely commence or expand their operations. Intense global competition has seen some EPZ firms face decline in demand/reduced orders for their products in the global market.

Global inward looking policy trend as witnessed by UK opting out of the European Union while US is focusing on domestic policy. This is affecting exports from Kenya because these markets are likely to be protected. Agro processing EPZ Companies experienced inadequate supply of raw materials. This was attributed to change in weather patterns especially the prolonged drought. Nut and tea processing firms were mostly affected. In addition, there is emergence of brokers who have interfered with the pricing and availability of some agro based raw materials like the macadamia nuts. This has in essence distorted pricing as it interferes with market forces of demand and supply.

Pharmaceutical firms operating within the EPZ program encounter lengthy product registration/approval process by relevant agencies. This has been exacerbated by lack of harmonized standards within the region and in Africa. In addition, firms which sell to the local market face numerous taxes and levies which make their product uncompetitive compared with imported similar product.

The expansion of EAC partner states to include South Sudan continue to affect EPZ sales. As per the Customs Union Protocol, the EAC is considered as a domestic market. Thus, sales by any export promotion scheme enterprise such as an EPZ firm to any of the partner states are a domestic sale.

A population of 157.9 million is a lucrative market size for EPZ firms. Expansion of EAC to include South Sudan has diminished their market as they are allowed to sell up to 20% of their total production to domestic market. EPZ companies, pharmaceuticals, relief supplies and fortified food among others into the region.

Another related issue is that when such sales are made to the domestic market they attract third country tariffs even if the raw materials are from EAC. EAC own raw materials are taxed at common external tariff (CET).

Conclusion

The Management and employees of EPZA are committed in growing the EPZ Programme. As management, we shall continue to harness and direct all our efforts in utilization of available opportunities in order to sustain the Programmes' viability and future growth. We therefore look upon all our stakeholders to support our efforts.

The operating environment has become very challenging but I believe with the commitment demonstrated by all stakeholders we shall be able to overcome these challenges and grow the EPZ Programme.



Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Practices

The Board is committed to maintaining a high standard of corporate governance practices and devotes considerable effort to clarify and formalize best practices. The Authority is controlled by the Board of Directors who are committed to maintaining a high standard of corporate governance practices and devotes considerable effort to identify and formalize best practices.

The Board

The Board is currently comprised of 14 members whose biographical details are provided in the Board of Directors and Senior Management section of this annual report. Day to day operations of the Authority is delegated to the management led by the Chief Executive Officer. The management is closely monitored by the Board and is accountable for the performance of the Authority as measured against the corporate goals and targets set by the Board in the Authority's Performance Contract.

The Authority provides information on its operations to the Board and on a yearly basis organizes a Board and Management retreat to enable the Board meet with senior management so as to gain better understanding of the workings of the Authority and the general EPZ programme. The Board has in place a board charter that was revised and adopted in August, 2015.

The positions of Chairman and Chief Executive Officer of the Authority are separate to ensure a clear distinction between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Authority's affairs. The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in writing.

PRACTICES OF THE BOARD

Board Responsibilities

The basic responsibility of the Board members is to exercise their best judgment and to act in a manner that they reasonably believe to be in the best interest of the Authority and its stakeholders. In discharging that obligation, the members should be entitled to rely on the honesty and integrity of the Authority's management, staff and its external professional advisors and auditors.

Board Meetings

The Board meets regularly, at least four times a year at quarterly intervals and holds special meetings as and when the Board thinks appropriate. During the Financial year 2017/2018, four quarterly meetings and five special meetings were held. Notices of at least 14 days were issued to the Directors, minutes of Board meetings prepared by the Corporate Secretary with details of decisions reached and resolutions passed by the Board. The Board members play an active role in participating at the Authority's meetings through contribution of their professional opinions and active participation in discussions.

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CORPORATE GOVERNANCE STATEMENT (Continued)

The attendance record of each of the Directors during the financial year is as follows:-

Meetings attended/held during the Financial Year

Name of Director	Board Meetings/ Special Meetings (9)	Finance and Staff Board Committee (6)	Strategy, Investments & Special Projects Committee (5)	Board Audit Committee (5)
Mr. Abdikadir Adan Abdullah	6	N/A	N/A	N/A
Mr. Kenneth B. Nyachae	7	3	4	N/A
Dr. Lydia Ndirangu	8	N/A	N/A	4
Dr. Moses Ikiara/ Mr. Pius Rotich*	7 1		1 2	N/A
Ms. Donna Atieno*	1	1		
Mr. Robert Bwire*	2		2	
Ms. Stella Naikara*		1		
Mr. Walter Kamau	8	N/A	3	5
Mr. Laban Onditi Rao	9	N/A	5	5
Mr. Joseph Nzioka	6	N/A	4	5
Mr. Nduati Mwangi	3	N/A		
Mr. Benson Chacha	6			4
Ms. Abigael Mbagaya Mukolwe/ Ms. Domtila Gati*	4 1	N/A	0	N/A
Ms. Amina T. S. Said	8	5	4	N/A
Ms. Winnie Wachui Maina	8	6	5	N/A
Mr. Stanley Kagera	4	3	N/A	N/A
Mr. Fanuel Odede Kidenda	9	5	5	N/A

*Representatives of Board Members

Board Committees

To effectively discharge its mandate, the Board has established committees with specific terms of reference. This is in order to ensure the operational efficiency and that specific issues are being handled with relevant expertise. The Board has appointed Committee members with requisite skills and competence to discharge allocated responsibilities. In the event that a committee lacks specific skills within its membership, the Board may with the approval of the oversight body, co-opt skilled non- Board members to serve on the Committee, provided the Chair of the Board is not co-opted member or Chair. The Board also has the mandate to rotate Board members between Committees.

The Board remains collectively responsible for the decisions and actions taken by any committee. The committees only perform tasks delegated to it by the Board and are not to exceed the authority or powers of the Board.

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CORPORATE GOVERNANCE STATEMENT (Continued)

The committees report to the Board deliberations made during committee meetings through the Chair of the respective committee for the ratification and adoption by the Board.

BOARD COMMITTEE MEMBERSHIP FINANCIAL YEAR 2017/2018

Finance and Staff Board Committee		
Chairperson	Ms. Amina T. S. Said	Private Sector
	Mr. Stanley Maina Kagera	Representing Principal Secretary/The Treasury
	Ms. Betty Maina, CBS * Replaced Mr. Nduati Mwangi	Principal Secretary/Ministry of Industrialization and Enterprise Development
	Ms. Winnie Wachui Maina	Private Sector
	Mr. Kenneth B. Nyachae	
	Dr. Moses Ikiara	Managing Director/ Kenya Investments Authority
	Mr. Fanuel Odede Kidenda	Chief Executive/EPZA
Board Audit Committee		
Chairman	Mr. Walter Kamau	Kenya Association of Manufacturers
	Dr. Lydia Ndirangu	Central Bank of Kenya
	Mr. Laban Onditi Rao	Kenya National Chamber of Commerce & Industry
	Mr. Joseph Nzioka	Private Sector
	Mr. Benson Chacha	Alternate Member/Commissioner of Customs Services
Strategy Investments and Special Projects Board Committee		
Chairman	Mr. Laban Onditi Rao	Kenya National Chamber Of Commerce & Industry
	Mrs. Abigail Mbagaya Mukolwe	National Land Commission
	Dr. Moses Ikiara	Managing Director/ Kenya Investments Authority
	Mr. Walter Kamau	Kenya Association of Manufacturers
	Mr. Joseph Nzioka	Private Sector
	Ms. Winnie Wachui Maina	Private Sector
	Ms. Amina T. S. Said	Private Sector
	Mr. Fanuel Odede Kidenda	Chief Executive

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CORPORATE GOVERNANCE STATEMENT (Continued)

Board Induction and Continuous Skills Development

The Board provides new Board member with an effective induction programme in order to familiarize them with their responsibilities as directors, general principles of corporate governance and Board practices. The induction programme also provides the Board member with an orientation of the organization, strategic plans, financial status and policies, risk management, compliance programmes and the Code of Conduct and Ethics.

The Board also ensures that members of the Board attend at least two days of professional development.

Board Remuneration

Board members are remunerated for their services in accordance with the prevailing relevant legislative provisions and/or guidance from the relevant Government Authority.

Board Performance

The Board conducts an annual evaluation to appraise its performance. This evaluation will be carried out in accordance with the Board Evaluation Tool developed by the State Advisory Committee (SCAC).

Board and Management Succession

The board will put in place a succession plan for both the Board and management and review the same regularly.

Governance Audit

The Board should ensure that a governance audit of the organization is undertaken on an annual basis. The purpose of the governance audit is to ensure that the organization conforms to the highest standards of good governance

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

The Authority posted an operating deficit of Kshs 8.54 million, a decline by 71% from a deficit of Kshs 29.02 million realized in the previous financial year. This reduction in deficit is attributed to cost-cutting measures as well as non-monetary transactions arising from recognition of deferred income from government grant.

Authority's total revenue rose by 2% during the year to close at Kshs 455.36 million up from Kshs 447.76 million reported in FY 2016/17. Appropriation-in-Aid was Kshs 419.76 million (2016/2017, Kshs 406.96 million) while the recurrent grant from the government of Kenya (GOK) totalled Kshs

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35.6 million (2016/17, Kshs 40.8 million). The Authority also received Kshs 560.67 million (FY 2016/17, Kshs 782.21 million) in development grant.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Total expenditure declined by 5% during the year to settle at Kshs 460.00 million down from 482.10 reported in FY 2016/17.

EPZA's Compliance with Statutory Requirements

During the FY 2017/18, the Authority did not have any major non-compliance issue that was likely to expose it to potential contingent liabilities. However, the Authority has had ongoing disputes and defaults that may potentially impact negatively on the overall performance.

These include:

- Prolonged contestation that EPZA is not a registered water supplies entity. This is likely to reduce water sales contribution should it be ruled out that the Authority should not supply water outside Athi River Zone.
- There is a litigation case regarding the ownership of a parcel of land Oloolokitikoshi/Kitengela/70. The case is in Law Court and the Authority has to wait/awaits for the outcome. The land was valued at 2.25 million as at 30 June 2014.
- Included in the trade and other receivables is an outstanding debt of Kshs 9.92 million relating to ex-staff (former CEO and Accounts Assistant). The Ethics and Anti-corruption Commission is pursuing the case and Authority is awaiting the outcome. The debt has also been forwarded to the Authority's external debt collector.

Key Projects and Investment Decisions the Authority is implementing

The Authority is currently implementing two major capital projects namely; the textile Centre of Excellence at Athi River and Industrial Leather Park at Kenanie. These projects are wholly funded by GoK.

Major Risks Facing EPZA

The Authority's activities expose it to a variety of financial risks, market risks (including foreign exchange risk, fair value interest rate risk, cash flow interest risk and price risk), credit risks and liquidity risks. The Authority's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its performance.

1. Credit Risk

Included in the in the trade receivables (Rent, licence and water) is Kshs 163.89 million and Kshs 275.92 million categorized as Doubtful Debts and Bad Debts respectively. These debts have proved to be uncollectable and adequate provision for the doubtful debts should be made as well as writing-off bad debts.

2. Liquidity Risk

Doubtful Debt and Bad Debt categories are unlikely to be collected and this poses a liquidity risks to the financial operations of the Authority.

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3. Capital Risk

The Authority is currently implementing two major capital projects namely; the textile Centre of Excellence at Athi River and Industrial Leather Park at Kenanie. These projects are wholly funded by GoK. Their continuity is largely dependent on continued government funding and timely disbursement of funds by the government.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Material Arrears in Statutory/Financial Obligations

Delayed disbursement and reduction in development grant has led to the build-up of pending bills of over Kshs 880 million from the ongoing projects (textile Centre of Excellence at Athi River and Industrial Leather Park at Kenanie). This exposes the Authority to possible litigations by the contractors/ suppliers for delay to make payments for the works done.

The Authority's Financial Probity and Serious Governance Issues

The Authority had neither known financial improbity as reported by internal audit/Board audit committee, external auditors, or other National Government Agencies providing oversight nor serious governance issues among the Board or member of the Board and top management including conflict of interest as at 30th June, 2018.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

In order to realize the impact of EPZA existence in areas of our jurisdiction, the EPZ Authority works with various stakeholders towards realizing the objective of identifying and offering help in deserving needy areas in the community. In this regard, the EPZ Authority undertook three CSR activities for the financial year ending June 2018.

➤ **The Standard Chartered Marathon, 26th November 2017**

The Authority sponsored 23 members of staff to participate in the 15th edition of the Standard Chartered Bank Marathon held on 26th November 2017 in Nairobi County. The staff participated in the various race categories; 10 kilometre run, Half and Full marathons (21 and 42 kilometres respectively).

This was the second time that the Authority was participating in this CSR activity. The Marathon is under the 'Seeing is believing' program, the bank's global initiative aimed at tackling avoidable blindness and visual impairment. Standard Chartered Bank collaborates with International Agency for the Prevention of Blindness (IAPB) and leading eye care organizations and raises funds for investment in eye care projects that have long-term impact in areas of high need.

➤ **Supply of food stuff to Brydges Center Children's**

In the spirit of giving back to the less fortunate during the Christmas season, the Authority donated various food items to Brydges Center Children's Home in Kajiado County.

The Brydges Centre is an organization that cares for the physical, emotional and spiritual needs of orphaned, destitute, abandoned, abused and street children in Kenya Africa. The Centre is home for 132 children; about 75 live in the dormitories while the older ones are in boarding schools, universities, or life skills training.

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➤ **Golf Tournament, 13th January 2018**

The Authority sponsored a Golf Tournament at Nyali Sports Club in Mombasa County. The activity also saw the Authority use the platform to promote the EPZ program among potential investors as it seeks to expand and grow more investments in the counties.

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REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the EPZ Authority's affairs.

Principal activities

The principle activities of the EPZA are promotion and facilitation of export-oriented investments and the development of an enabling environment for such investments as stipulated in the EPZ Act Cap 517.

Results

The results of the Authority for the year ended June 30, 2018 are set out on pages 1 to 27

Directors

The members of the Board of Directors who served during the year are shown on pages viii to xi. During the year FY 2017/2018 the contract of the Chairman of the Board (Mr. Abdikadir A. Abdullah) expired while directors Geoffrey Kimani and Kenneth B. Nyachae retired and director Stanley Kagera was appointed as the Alternative Director with effect from 24 November, 2017.

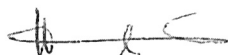
Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The EPZ Authority did not make any surplus during the year (FY 2017 Nil) and hence no remittance to the Consolidated Fund.

Auditors

The Auditor General is responsible for the statutory audit of the Export Processing Zones Authority (EPZA) in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



CORPORATE SECRETARY
Export Processing Zones Authority

Date..... 11/06/19

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the EPZA's financial statements, which give a true and fair view of the state of affairs of the EPZA for and as at the end of the financial year (period) ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the EPZA; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

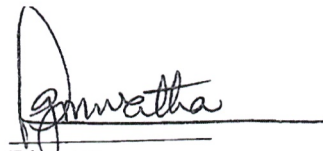
The Directors accept responsibility for the EPZA's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the EPZA's financial statements give a true and fair view of the state of EPZA's transactions during the financial year ended June 30, 2018, and of the EPZA's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the EPZA, which have been relied upon in the preparation of the EPZA's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the EPZA 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 EPZA's financial statements were approved by the Board on 11 June 2019 and signed on its behalf by:


Chairman of the Board


Director


Chief Executive Officer

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REPORT OF THE INDEPENDENT AUDITORS ON THE EPZA

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 EXPORT PROCESSING ZONES AUTHORITY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Export Processing Zones Authority set out on pages 1 to 42, which comprise the statement of financial position as at 30 June 2018, and statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Export Processing Zones Authority as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Export Processing Zones Authority Act, Cap 517 of 2015 (Revised) of the Laws of Kenya.

Basis for Qualified Opinion

1. Property, Plant and Equipment

1.1 Land

As previously reported, included in property, plant and equipment balance of Kshs.10,644,679,186 as at 30 June 2019 are two parcels of land Ref: LR.No. Ololoitokoshi/Kitengela/61 and 70, measuring two hectares with a book value of Kshs.2,250,000. Although the parcels of land were acquired and gazetted through Gazette Notice Nos. 2802 and 2803 of July 1991, the Authority had not obtained the respective ownership documents as at 30 June 2018. As a result, it is not possible to confirm the two pieces of land are legal property of the Authority.

Report of the Auditor-General on the Financial Statements of Export Processing Zones Authority for the year ended 30 June 2018

1.2 Valuation of Assets

Although the statement of financial position reflects a balance Kshs.10,644,679,186 under property, plant and equipment as at 30 June 2018, the last valuation of the Authority's assets was conducted in 2011. Consequently, the Authority has not valued its assets in the last seven (7) years to take cognizance of the drastic change in their value contrary to International Accounting Standard No.16 which requires property, plant and equipment to be revalued after every five years.

1.3 Acquisition of Land No. LR 337/2917

The Authority acquired land L.R No 337/2917 at Kshs.6,500,000. The acquisition process started in 2015/2016 but the ownership documents had not been obtained as at 30 June 2018. The Authority hurriedly acquired this land measured 0.08 Ha (0.197 acres) without the transfer documents when it trespassed on it, while constructing a sewer line through Athi River. The Authority risk losing both the land and the money paid unless the lawful transfer process is expedited.

1.4 Boreholes

In 2007, the then Ministry of Water and Irrigation Development sunk two boreholes on EPZA land, one at a disputed parcel of land in Kitengela Township and the other on the Authority's premises adjacent to the police post. The management has indicated that ownership of the boreholes was handed over to the Authority without formal documentation and that the boreholes have been tested and confirmed to be viable. However, no evidence has been provided for audit review to confirm that the two boreholes have been valued and recognized as assets of the Authority.

In view of the above, it has not been possible to confirm the accuracy, valuation, existence and ownership of property, plant and equipment balance of Kshs.10,644,679,186 as at 30 June 2018.

2. Project Management

The Authority has uncompleted projects some dating back to 2014 which have some anomalies as summarized below:

2.1 Decommissioning of Dumpsite and Construction of Other Civil Works

EPZA Tender No. 12/2016-2017 was awarded to Marcann Contractors Co. Ltd for decommissioning of dumpsite and construction of other civil works at Athi-River EPZ at a contract sum of Kshs.150,260,710. The commencement date of the contract was 21 September 2017 to be completed by 20 June 2018. At the time of audit, an amount of Kshs.31,810,320 had been paid the works were at 20% complete. However, the report on feasibility study on recommending the decommissioning of the dumpsite was not availed for audit review. In addition, no alternative site for dumping was identified and dumping was still being done at the same site. The source for the water to feed the dam and its sustainability was also not been explained. Further, no certificates from the relevant government agencies mainly NEMA and WARMA approving the construction of the dam was availed for audit review. Though the contract includes the construction of a swimming pool and a mini golf course, it does not include changing rooms which are a necessity for such

facilities to operate. A visit to the site revealed that no works were on going and the contractor was not on site despite having been paid Kshs.31,810,320. In addition, the amount paid as per the first certificate appears excess in comparison with the work already done on the ground since only part excavations have been done on the site thereby casting doubt on the validity and the full execution of this contract.

2.2 Construction of Procurement Store

Quotation No.312/2016-2017 was awarded to M/S Home Team Ltd at a contract sum of Kshs1,913,348. The work was to commence on 1 December 2017 to be completed by 31 July 2018 as per the contract agreement. The Authority paid the contractor an amount of Kshs.648,499 as an advance payment but abandoned the site after being paid. Further, our audit review of the project file revealed that the contractor had no financial capacity to undertake the project raising doubt on whether due diligence was done before awarding of the contract. Also, our site visit and perusal of the bills of quantities revealed that the project price could have been exaggerated. No evidence of action taken by the management as a follow up to ensure the work is completed by the contractor was availed for audit verification.

Failure to follow the procurement law in awarding and the execution of this projects to ensure that they are fully completed as per the contract terms, results in poor management of the project and cost over runs due to contract variations, thus the value for money on these incomplete projects may not be realized. The delay in project completion also lead to losses from incomes that could have been generated from the projects as envisaged at the time of commencement.

3. Trade and Other Receivables

As previously reported, included in trade and other receivables balance of Kshs.565,846,662 as at 30 June 2018 is an amount of Kshs.11,990,573 which relates to advances, outstanding imprest and salary advances issued to ex-staff. The balance further includes Kshs.8,690,785 being salary advance of Kshs.7,709,866 and imprest of Kshs.980,919 issued to the former Chief Executive Officer (CEO) of the Authority without approval from the Board of Directors. The advances were issued in disregard to Government Regulation (H10) in existence then and the Authority's staff manual governing salary advances. The sum of Kshs.980,919 granted to the CEO as imprest was supposed to have been surrendered within 48 hours after completion of the assignment. Failure to surrender the imprest amounted to violation of regulations and abuse of office by the former Chief Executive Officer.

Consequently, the accuracy and recoverability of the staff debtors' balance of Kshs.11,990,573 as at 30 June 2018 cannot be confirmed.

4. Issuance of Licenses

The Authority issued an Export Processing Zone Business Service Permit to a local company, Net Gas and Energy Ltd to run a petrol station and convenience store on lands L.R No.18474/10 and L.R 184744/11 owned by EPZA and gazzeted as Export Processing Zone along Namanga road. The company has already embarked on the construction of the petrol station. The degazetement of the above two parcels of land

was not done before issuing the business permit to exempt it from the provision of EPZA Act. No clear explanation as to how the business of a petrol station fits and complies with the Export Processing Zones Authority Act, Cap 517 of 2015 (Revised) of the laws of Kenya. This also contradicts Section 9(c) of the EPZA Act which states that the principal objective of the Authority shall be the protection of government revenue and foreign currency earnings and Section Sec 23(2)a of the EPZA Act that states that a license shall be granted by the Authority if the proposed business enterprise is incorporated in Kenya and whether or not it is one hundred percent foreign owned for the sole purpose of producing goods or services for export within an export processing zones. The Authority was therefore in breach of the law.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Export Processing Zones Authority in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

1. Lack of Clarity on Establishment of Leather Industrial Park

The Authority entered into a Memorandum of Understanding (MOU) with the Kenya Leather Development Council on 8 December 2015 for the establishment of a leather industrial park in Machakos County. The MOU provided that the park was to be built on a portion of plot LR No.23961 measuring 301.1 hectares owned by EPZA and located at Kinanie in Machakos County. However, the actual acreage of the land to be alienated for the purpose was not indicated and the MOU did not outline the specific roles to be performed by each party and the agreed time frame for construction works. The manner in which the park was to be managed and the revenues expected to be generated therefrom and how these would be shared were not defined. In addition, it was not clear which of the two institutions was to incorporate in its books the operations and the ownership of the industrial park.

In the circumstances, there is lack of clarity on this major investment expected to be established on the Authority's land.

2. Construction of New Industrial Sheds

EPZA Tender No. 04/2014-2015 awarded to China National Aero Technology International Corporation (CATIC) for construction of 43,832 square meters of new industrial sheds at a contract price of Kshs.1,367,710,473. The works were to commence on 1 February 2015 and be completed on 31 August 2015 as per the

initial contract agreement which was later extended to 31 December 2018 and contract varied upward by Kshs.267,710,473. However, the work had not yet been completed and the contractor was not on site by the time of the audit. It was observed that dumping of excavated soil was done on EPZA premises instead of carrying it to offsite as per the contract agreement which is also an indication that the contractor did not conduct construction in accordance with the bills of quantities.

Further, the contractor was instructed to handover an incomplete project mainly cluster 3 and a certificate of partial completion be issued to him. This certificate was however not issued to the contractor as per their letter CATIC/EPZA/2018-423/A dated 23 April 2018. In addition, it's not clear which clause the project manager was invoking to demand the partial handover and who will bear the costs of any damages to the premises as the contractor has already stated they will not take responsibility.

3. Construction of 7.5 Kms Long Trunk Sewer for Phase II Lot 3

EPZA Tender No.04/2016-2017 awarded to Dexterous Limited for Construction of 7.5 Kms long Trunk Sewer for Phase II Lot 3 at Athi-River Textile Hub at a contract sum of Kshs.213,278,865. The commencement date as per the contract was 13 February 2017 with revised completion date of 30 April 2019. However, the project had not been completed due to delays in getting relevant approval from other government agencies. It is not clear why the approvals were not sort from the relevant authorities before the award of tender and commencement of projects.

4. Construction of New Water Supply and Distribution Pipeline and Storage Tank

EPZA Tender No. 03/2014-2015 was awarded to Hirola Investments Ltd for construction of 8.3 Kms of new water supply and distribution pipeline and 6,500 cubic meters storage tank at a contract price of Kshs.310,008,576 which was later varied upward by Kshs.74,420,212 (24%) to Kshs.384,428,790. At the time of variation, the contractor had billed the Authority by almost 97% of the original contract price. As at 30 June 2018, the contractor's bill amounted to Kshs.389,318,805 over and above the varied price by Kshs.4,890,015. Further, though the validity period of the contract expired, the handing over of the project by the contractor to the Authority had not been done. The project commencement period was 15 January 2015 and was to be completed on 15 June 2015. It was noted that the total contract amount was paid before inspection and acceptance approval and only the retention money that had not been paid.

No explanation was provided as to why the contractor was paid the total amount before completion of the project.

5. Construction of Kenya Leather Park Internal Access Roads and Civil Works

EPZA Tender No. Roads- 29/2015-2016 was awarded to Marcann Contractors Co. Ltd for construction of Kenya Leather Park internal access roads and civil works at a contract price of Kshs.146,111,497. The work was to commence on 26 September 2016 and be completed on 25 September 2017 as per the initial contract but later extended to 31 December 2018. The Authority introduced additional work for box

culvert and construction of temporary holding ponds and varied the contract upward by Kshs.26,075,000. Public Procurement and Assets Disposal Act, 2015 requires that the contract variation be approved by the tender committee. No minutes were availed for audit review in respect of approval of variations by the tender committee. In addition, it is not clear how the amount of contract variation was arrived at as the contractor was not requested to quote for the additional works as required by procurement laws. Further, the bills of quantities for the additional works were not availed for audit verification.

In the circumstances, it was not possible to confirm whether the Authority followed the procurement law in the execution of this contract.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

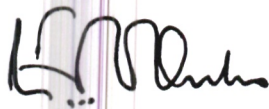
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting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

represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

26 August 2019

EXPORT PROCESSING ZONES AUTHORITY

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 Kshs	2017 Kshs
Revenues			
Revenue from non-exchange transactions	6a	99,151,028	91,245,325
Revenue from exchange transactions	6b	356,210,711	356,517,632
Total revenue		<u>455,361,739</u>	<u>447,762,957</u>
Expenses			
Employee costs	7	310,075,287	278,091,798
Board expenses	8	8,705,831	15,934,535
Administrative expenses	9	24,346,406	24,847,199
Other operating expenses	10	80,109,271	124,776,990
Depreciation	11	36,767,348	38,450,976
Total expenses		<u>460,004,143</u>	<u>482,101,497</u>
Operating Deficit/Surplus		<u>(4,642,404)</u>	<u>(34,338,540)</u>
Other Items			
Foreign Exchange Loss/(Gain)	12	(3,897,063)	5,315,648
		<u>(3,897,063)</u>	<u>5,315,648</u>
Deficits for the Period		<u><u>(8,539,468)</u></u>	<u><u>(29,022,893)</u></u>

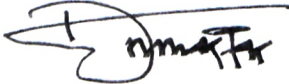
The notes set out on pages 7 to 27 form an integral part of these Financial Statements

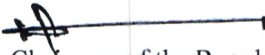
**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	Note	2018 Kshs	2017 Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	13	699,322,567	357,430,314
Trade Receivables and Other Receivables	14	565,846,662	568,802,719
Inventories	15	8,062,500	8,210,670
		1,273,231,730	934,443,703
Non-current assets			
Property, plant and equipment	23	10,644,679,186	10,433,412,816
Biological assets	16	150,122,342	150,122,342
		10,794,801,528	10,583,535,158
Total assets		12,068,033,258	11,517,978,861
Liabilities			
Current liabilities			
Trade and Other Payables	17	273,690,348	275,631,722
Unearned Rental Income	17	264,926,216	261,337,300
		538,616,564	536,969,022
Non-current liabilities			
Customer Deposits	18	177,716,549	144,422,158
Deferred Income	19	4,388,544,781	3,863,501,077
		4,566,261,331	4,007,923,236
Total liabilities		5,104,877,895	4,544,892,258
Net assets		6,963,155,363	6,973,086,857
Reserves			
Revaluation Reserves	20a	6,728,206,312	6,728,206,412
Accumulated surplus	20b	234,949,051	244,880,445
Total net assets and liabilities		6,963,155,363	6,973,086,857

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:


Chief Executive Officer


GM-Finance HR & Admn
ICPAK Member: 3656


Chairman of the Board

Date: 11/6/19

Date: 11/6/19

Date: 11/6/19

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2018**

		Revaluation Reserves	Accumulated Surpluses	Total
	Notes	Kshs	Kshs	Kshs
Balance as at 30 June 2015		6,728,206,312	249,227,775	6,977,434,387
Surplus for the period	20	-	24,674,563	24,674,563
Restatement of accumulated surplus	20	-	-	-
Transfers to accumulated surplus		-	-	-
Balance as at 30 June 2016 (a)		6,728,206,312	273,902,338	7,002,110,322
Surplus for the period	20	-	(29,022,893)	(29,022,893)
Restatement of accumulated surplus		-		-
Transfers to accumulated surplus (b)	20	-	(29,022,893)	(29,022,893)
Balance as at 30 June 2017 (a+b)		6,728,206,412	244,880,445	6,973,085,857
Deficit for the period	20	-	(8,539,468)	(8,539,468)
Restatement for prior-year items		-	(1,391,925)	(1,391,925)
Transfers to accumulated surplus (b)	20	-	(9,931,393)	(9,931,393)
Balance as at 30 June 2018 (a+b)		6,728,206,412	234,949,051	6,963,155,363

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2018 Kshs	2017 Kshs
Cash flows from operating activities			
Cash generated from operations	21	12,040,379	(23,326,462)
Interest Income-On-Call Deposit	6b	-	15,389,746
Net cash generated from operating activities.		12,040,379	(7,936,716)
Cash flows from investing activities			
Purchase of property, plant and equipment	23	(206,122,883)	(995,472,834)
Proceeds from sale of fixed assets		-	-
Taxes Paid		(24,698,743)	(41,733,263)
Net Cash flows from Investing Activities		(230,821,626)	(1,037,206,097)
Cash flows from financing activities			
Grant Received Development	22b(i)	560,672,500	782,206,000
Grant Received Recurrent	22b(ii)	-	40,800,000
Net Cash flows From Financing Activities		560,672,500	823,006,000
Net (decrease)/increase in cash and cash equivalents		341,891,253	(222,136,813)
Cash and cash equivalents at start of year		357,431,313	579,567,125
Cash and cash equivalents at end of year	13	699,322,567	357,431,313

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018

	Original budget	Reallocation in the Year	Final budget	Actual on Comparable basis	Performance Difference
	2018	2018	2018	2018	2018
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Application Fees	1,450,000	-	1,450,000	1,637,682	187,682
License Fees	43,000,000	-	43,000,000	44,055,179	1,055,179
Rental Income	185,000,000	-	185,000,000	178,398,045	(6,601,955)
Water sales	169,000,000	-	169,000,000	126,169,170	(42,830,830)
Other Incomes	65,800,000	-	65,800,000	69,501,662	3,701,662
Government grant (Recurrent)	40,800,000	-	40,800,000	35,600,000	(5,200,000)
Total income	505,050,000	-	505,050,000	455,361,739	(49,688,261)
Expenses					
Personnel Emoluments	275,800,000	-	275,800,000	277,010,525	(1,210,524)
Goods, Utilities, Supplies & Services	6,000,000	(500,000)	5,500,000	4,609,396	890,604
Communication Supplies & Services	7,500,000	-	7,500,000	3,621,977	3,878,023
Investments Promotion Expenses	19,912,600	(4,000,000)	15,912,600	11,159,329	4,753,271
Domestic travel & Subsistence	10,620,000	-	10,620,000	8,595,408	2,024,592
Printing & advertising, Information supply & services	7,500,000	-	7,500,000	3,221,881	4,278,119
Rental of produced assets	11,700,000	-	11,700,000	9,250,557	2,449,443
Training Expenses	8,000,000	(1,000,000)	7,000,000	854,893	6,145,108
Hospitalities Supplies & services	1,700,000	2,500,000	4,200,000	3,833,008	366,992
Board Allowances, Training and Benchmarking	11,300,000	(1,000,000)	10,300,000	8,705,831	1,594,169
Insurance costs	39,400,000	2,600,000	42,000,000	38,576,348	3,423,652
Specialized materials and supplies	11,250,000	-	11,250,000	7,480,680	3,769,320
Office general supplies	4,000,000	1,300,000	5,300,000	5,101,495	198,505
Fuel, Oil and Lubricants	5,000,000	-	5,000,000	4,513,629	486,371
Other Operating expenses	37,130,100	(100,000)	37,030,100	29,256,278	7,773,822
Maintenance - Vehicles and Other Transport	2,500,000	200,000	2,700,000	2,610,920	89,080
Maintenance – Other Assets	7,700,000	(500,000)	7,200,000	4,834,642	2,365,358
Depreciation (Consumption of Fixed Capital)	38,000,000	500,000	38,500,000	36,767,348	1,732,652
Total Operating Expenditure	505,012,700	-	505,012,700	460,004,144	45,008,556
Other Items					
Foreign Exchange Loss	-	-	-	3,897,063	3,897,063
Total Expenditure	505,012,700	-	505,012,700	463,901,207	48,905,620
Deficit for the period	37,300	-	37,300	(8,539,468)	(8,502,169)

Budget notes

Revenue:

1. *Reduction in GoK recurrent grant by 5.2 million in the fourth quarter.*
2. *Declining supply of water supply from Nairobi water and Sewerage Company as a result of water rationing.*
3. *Overstretched revenue projections during budgeting for licence fees and other incomes comprising of interest on deposits, incineration, exhauster and new connections.*

Export Processing Zones Authority
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Export Processing Zones Authority (EPZA) is established by and derives its authority and accountability from EPZ Act. The EPZ Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The EPZA's principal activity is the promotion and facilitation of export-oriented investments and the development of an enabling environment for such investments as stipulated in the EPZ Act Cap 517.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the EPZA's accounting policies.

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. Early adoption of standards

The entity did not early-adopt any new or amended standards in year 2018.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i. Revenue from Non-Exchange Transactions

Fees

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

Transfers from other Government Entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue recognition (Continued)

ii. Revenue from Exchange Transactions

Rendering of Services

The Authority recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the incurred are recoverable.

Sale of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority.

Interest Income

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

b) Budget information

The original budget for FY 2017/2018 was approved by the National Assembly on 29th June, 2017. Subsequent revisions were made to the approved budget in accordance with specific approvals from the appropriate authorities. The Authority's recurrent budget was reduced by Kshs 10 Million from Kshs 50.8 Million to Kshs 40.8 Million during Supplementary 1 Estimates.

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

Export Processing Zones Authority
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

c) Taxes

Current income tax

The Authority is Zero rated in its tax status. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

d) Property, Plant and Equipment (PPE)

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Export Processing Zones Authority
Annual Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Leases

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

f) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

g) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Authority.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Provisions

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

Contingent assets

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

i) Nature and Purpose of Reserves

The Authority creates and maintains reserves in terms of specific requirements. Surplus made during the year is credited to the accumulated surplus reserve while deficit is debited to the accumulated reserve at the end of financial year.

j) Changes in Accounting Policies and Estimates

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

k) Employee benefits

Retirement Benefit Plans

The Authority operates defined contribution retirement benefit scheme for its employees while employees who are on contract qualify for gratuity upon end of the contract. The Authority and all its employees also contribute to the appropriate national Social Security Fund, which are defined contribution schemes.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A defined contribution plan is a pension plan under which the Authority pays fixed contributions into a separate entity. The Authority has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Authority pays contributions to publicly or privately administered plans on a mandatory, contractual or voluntary basis. The Authority has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

l) Foreign Currency Transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

m) Related Parties

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

n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

o) Comparative Figures

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and Assumptions

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

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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6 REVENUE

6a) Revenue from Non-Exchange Transactions

Description	2018 Kshs	2017 Kshs
Application Fees	1,637,682	1,202,835
Licenses fees	44,055,179	39,872,788
Recurrent Grant (GoK)		
Unconditional Grant		
State department of Industry	35,600,000	40,800,000
Non Monetary Revenue - Land	-	-
-Deferred Income	17,858,167	9,369,702
	99,151,028	91,245,325

6b) Revenue from Exchange Transactions

Water Sales	126,169,170	153,647,289
Rental Income	178,398,045	162,718,040
Interest from-On-Call Deposit	13,818,501	15,389,746
Other Incomes	37,824,994	24,762,557
	356,210,711	356,517,632
Total Revenue	455,361,740	447,762,958

7 EMPLOYEE COSTS

Description	2018 Kshs	2017 Kshs
Basic Salaries and Wages	134,812,587	115,593,597
Personnel Allowances	111,444,117	102,495,378
Medical Benefit	31,809,622	29,881,177
Social Contributions	30,753,821	27,807,407
Other Staff Welfare	1,255,140	2,314,239
	310,075,287	278,091,798

8 BOARD EXPENSES

Description	2018 Kshs	2017 Kshs
Directors Emoluments	5,551,421	9,865,158
Chairman Honoraria	384,000	960,000
Boards Committees Expenses, Conferences & Seminars	2,770,411	5,109,377
	8,705,831	15,934,535

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 ADMINISTRATIVE EXPENSES

Description	2018 Kshs	2017 Kshs
9a Repairs and Maintenance		
Property	3,806,168	2,197,153
Equipment	830,114	1,439,036
Vehicles	2,610,920	2,634,622
Other	198,360	892,855
	<u>7,445,562</u>	<u>7,163,665</u>
9b Contracted services		
Contracted Professional Services	2,350,264	694,984
Contracted Technical Services	-	980,456
Consultancy Fee	-	3,464,663
Contracted Guards	13,950,581	11,943,432
Audit fee	600,000	600,000
	<u>16,900,844</u>	<u>17,683,533</u>
Total Administrative Expenses	<u>24,346,406</u>	<u>24,847,199</u>

10 OPERATING EXPENSES

Description	2018 Kshs	2017 Kshs
Goods Utilities Supplies & Services	4,609,396	5,572,699
Investment Promotion	11,159,329	20,964,338
Communication Supplies & Services	3,621,977	4,897,117
Domestic Travel & Other Transport Costs	8,595,408	13,632,988
Printing Advert Info Supply & Service	3,221,881	7,506,290
Rental of Produced Assets	9,250,557	9,567,684
Training Expenses	854,893	9,461,549
Hospitality Supplies and Services	2,577,867	3,050,372
Insurance Costs excluding medical	6,766,726	5,889,602
Specialized Materials and Supplies	7,480,680	6,636,348
Office General Supplies	5,101,495	4,492,669
Fuel Oil & Lubricants	4,513,629	4,779,024
Legal Expenses	5,478,645	9,198,899
Other Operating Expenses	6,876,788	19,127,411
	<u>80,109,271</u>	<u>124,776,990</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 DEPRECIATION

Description	2018	2017
	Kshs	Kshs
Buildings	8,359,583	8,352,103
Computers and Printers	4,632,439	6,521,389
Infrastructure	8,814,883	8,839,111
Motor Vehicles & Other Moveable Equipment	9,730,358	9,748,358
Office Equipment	3,005,862	2,922,316
Office Furniture	2,224,223	2,067,699
	36,767,348	38,450,976

12 FOREIGN EXCHANGE TRANSACTIONS

Description	2018	2017
	Kshs	Kshs
Loss/Gain on Foreign Exchange Transactions	(3,897,063)	5,315,648
	(3,897,063)	5,315,648

13 CASH AND CASH EQUIVALENTS

Description	2018	2017
	Kshs	Kshs
Current Account	490,418,979	149,960,743
Others (Cash-in-Hand)	144,628	84,832
Others (Accrued Interest)	2,352,304	978,082
On-Call Deposits	152,899,705	152,899,705
Staff Mortgage	53,506,951	53,506,951
Total	699,322,567	357,430,314

a) Detailed Analysis of the Cash and Cash Equivalents

Financial Institution

Current Accounts

NBK-Hill Branch (01001031540800)	11,643,549	3,560,896
NBK-Kitengela Water Deposit (010010315408010)	30,097,747	27,431,102
NBK-Government Dev Grants-Kitengela (01001089587000)	332,640,661	26,242,856
NBK-Sinking Fund Account-Kitengela (01001024633300)	8,261,592	8,261,592
KCB Bank - Moi Avenue (1101641797)	82,337,180	40,884,680
KCB Bank - Kitengela (1102736953)	3,409,531	9,798,474
KCB Bank - Kitengela (1102737380)	22,028,718	33,781,143
Sub- Total	490,418,979	149,960,743

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Cash in hand

Petty Cash - Athi River Head Office	44,698	4,841
Petty Cash - Mombasa Office	59,930	39,991
Petty Cash-Kisumu Office	40,000	40,000
Sub- total	144,628	84,832

c) On-Call Deposits

NBK-Kitengela (014050895870000)	52,899,705	52,899,705
Kenya Commercial Bank	100,000,000	100,000,000
Accrued Interest-NBK	586,390	-
Accrued Interest-KCB	-	978,082

d) Staff Mortgage

Housing Finance Group (SD-200-0081210)	53,506,951	53,506,951
Accrued Interest-HFC	1,765,914	-
Sub- total	208,758,961	207,384,739
Grand Total	699,322,567	357,430,314

14 TRADE AND OTHER RECEIVABLES

Description	2018 Kshs	2017 Kshs
aTrade Receivables		
Trade receivables	582,700,760	586,054,808
Less: Impairment Allowance/Provisions	(36,013,150)	(36,013,150)
	546,687,611	550,041,659
bOther Receivables		
Staff debtors Imprest	2,271,442	1,731,395
Staff debtors (medical)	465,746	415,866
Staff debtors (Advances)	9,253,385	9,029,308
Prepayments	7,168,479	7,584,490
	19,159,051	18,761,060
Total Trade and Other Receivables	565,846,662	568,802,719

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15 INVENTORIES

Description	2018	2017
	Kshs	Kshs
Inventory - Water (at Cost)	296,734	306,582
Stationary	5,493,322	5,697,662
Electrical Computer & Fire Accessories	2,272,445	2,206,427
Total inventories	8,062,500	8,210,670

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 BIOLOGICAL ASSETS

Description	2018	2017
	Kshs	Kshs
Cost at the start of the year.	150,122,342	150,070,340
Additions during the year	-	52,002
	150,122,342	150,122,342

Biological assets consists of Eucalyptus plantations at the Sewerage treatment Ponds

17 TRADE AND OTHER PAYABLES

Description	2018	2017
	Kshs	Kshs
Trade Creditors	14,384,119	20,038,198
Accruals	38,365,229	23,390,092
Deferred Income	264,926,216	261,337,300
Sundry creditors	15,430,390	18,764,585
Retention Money (Contractors)	205,510,609	213,438,848
Total Trade Payables and Other Payables	538,616,564	536,969,022

The carrying amounts of the above payables and accrued expenses approximate to their fair value

18 REFUNDABLE DEPOSITS FROM CUSTOMERS

Description	2018	2017
	Kshs	Kshs
Rent Deposits	73,736,546	45,742,411
Water Deposits	90,140,372	87,406,466
Sewer Deposits	13,839,631	11,273,281
Total deposits	177,716,549	144,422,158

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19 DEFERRED INCOME

Description	2018	2017
	Kshs	Kshs
At start of the Year	3,863,501,077	3,101,871,983
Development Grant received during the Year	560,672,500	782,205,667
Adjustment	87,538	(1,837,169)
Less: Deferred Income Recognized in Current Year	(17,858,167)	(9,369,702)
Deferred Income Recognized for Next Year	(17,858,167)	(9,369,702)
As at year end	4,388,544,781	3,863,501,077

NOTES TO THE FINANCIAL STATEMENTS (Continued)

This is deferred income from Land, Buildings and Infrastructure since the year of acquisition (1998) from the Government amounting to Kshs 936,970,000 acquired in different periods from the year 1998 to 2016. The amount includes the Initial Grant from the Government of Kenya of Kshs 22,177,000 for Land, 98,183,000 for building and Kshs 246,205,000 for infrastructure. This deferred amount is recognised as income in the Income Statement at the rate of Kshs 17,858,167 in respect to the assets and their useful life.

20 REVALUATION

20a Revaluation Reserves

Description	2018	2017
	Kshs	Kshs
Revaluation Reserves	6,728,206,312	6,728,206,412
Accumulated Reserves at start of the year	244,880,445	273,903,338
Current year Surplus	(8,539,468)	(29,022,893)
Adjustments for prior-year items	(1,391,925)	-
20b Accumulated Reserves at end of the year	234,949,051	244,880,445
	6,963,155,363	6,973,086,857

Accumulated Reserves at end of the year has been adjusted for prior-year items arising from the previous years' FY 2016/2017.

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21 CASH ABSORBED FROM OPERATIONS

Description	2018 Kshs	2017 Kshs
Reconciliation of profit before income tax to cash generated from operations		
Surplus before tax	(8,539,468)	(29,022,893)
Adjustments for:		
Depreciation	36,767,348	38,450,976
Foreign exchange loss/gain	3,897,063	(5,315,648)
Accrued Interest Income	(6,978,167)	-
Non Monetary (Income Grant amortization)	(17,858,167)	(9,369,702)
Gain on disposals of property plant & equipment	-	-
Changes in Current Year's Deferred Income	-	52,002
Cash from operations before changes in Working capital	7,288,610	(5,205,265)
Changes in Working Capital:		
Trade Receivables & Other Receivables	3,354,049	(21,395,183)
Other Receivables	(397,991)	1,457,593
Inventories	148,170	2,170,304
Trade Payables & Other Payables	1,647,542	(353,911)
	4,751,769	(18,121,197)
Cash generated/Absorbed from operations	12,040,379	(23,326,462)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 TRANSACTIONS WITH RELATED PARTIES

Nature of Related Party relationships

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

EPZA's other related parties include:

- i) The National Government;
- ii) The Ministry of Industry, Investment and Trade (Parent Ministry);
- iii) The National Treasury;
- iv) Key Management;
- v) Board of Directors;

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RELATED PARTY BALANCE

Description	2018 Kshs	2017 Kshs
22a Key Management Compensation		
(i) Management Compensation (Salaries & Short-term Benefits)		
Compensation to the CEO	12,500,991	11,371,000
Compensation to Key Management	68,387,600	56,876,568
	80,888,592	68,247,568
ii) Directors' remuneration		
Board Allowances	5,551,421	9,865,158
Chairman Honoraria	384,000	960,000
Boards Committees Conferences and Seminars	2,770,411	5,109,377
Sub-Total	8,705,831	15,934,535
Total	89,594,423	15,934,535

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22b(i) Transfers from Departments of Industrialization		
Description	2018 Kshs	2017 Kshs
i) Development Grant		
Quarter 1	-	375,000,000
Quarter 2	100,000,000	-
Quarter 3	-	375,000,000
Quarter 4	460,672,500	-
Transfers from Kenya Leather Dev Council	-	32,205,667
Sub-Total	560,672,500	782,205,667
22b(ii) ii) Recurrent Grant		
Quarter 1	10,200,000	12,700,000
Quarter 2	10,200,000	12,700,000
Quarter 3	10,200,000	7,700,000
Quarter 4	5,000,000	7,700,000
Sub -Total	35,600,000	40,800,000
Total Grant Received	596,272,500	823,005,667

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 PROPERTY, PLANT AND EQUIPMENT

Schedule Of Property, Plant & Equipment 2017/2018 Financial Year										
	Land	Buildings & Fixtures	Infrastructure	Motor Vehicles	Furniture	Computers	Office Equipment	Work-In-Progress	Total	
Cost	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
At 1 July 2016	5,448,260	834,688	881,857	65,521	20,502	30,564	28,586	2,293,120	9,603,098	
Additions	-	783	1,416	-	464	2,114	1,261	989,435	995,473	
Disposals	-	-	-	-	275	-	-	-	275	
At 30 June 2017	5,448,260	835,471	883,273	65,521	21,241	32,678	29,847	3,282,555	10,598,846	
Cost										
At 1 July 2017	5,448,260	835,471	883,273	65,521	21,241	32,678	29,847	3,282,555	10,598,846	
Additions	7,000	8,834	13,352	-	3,986	5,026	210	171,126	209,534	
Adjustment	-	-	3,545	-	-	-	-	34,997	38,542	
Transfer	-	-	477,974	2,900	-	-	-	(480,874)	-	
At 30 June 2018	5,455,260	844,305	1,378,144	68,421	25,227	37,704	30,057	3,007,804	10,846,922	
Depreciation and impairment										
At 1 July 2016	-	32,495	34,955	29,345	5,098	21,544	3,544	-	126,982	
Depreciation charge for the year	-	8,352	8,839	9,748	2,068	6,521	2,922	-	38,451	
Disposals	-	-	-	-	-	-	-	-	-	
Transfer/adjustment	-	-	-	-	-	-	-	-	-	
Impairment	-	-	-	-	-	-	-	-	-	
At 30 June 2017	-	40,848	43,794	39,093	7,166	28,065	6,467	-	165,433	
Depreciation and impairment										
At 1 July 2017	-	40,848	43,794	39,093	7,166	28,065	6,467	-	165,433	
Depreciation charge for the year	-	8,360	8,858	9,730	2,224	4,632	3,006	-	36,810	
Impairment	-	-	-	-	-	-	-	-	-	
At 30 June 2018	-	49,207	52,652	48,823	9,390	32,698	9,472	-	202,243	
Net book values										
At 30 June 2018	5,455,260	795,098	1,325,492	19,598	15,837	5,007	20,585	3,007,804	10,644,679	
At 30 June 2017	5,448,260	794,624	839,478	26,428	14,075	4,613	23,381	3,282,555	10,433,413	

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity Sending the Grant	Amount Recognized to Statement of Comprehensive Income	Amount Deferred Under Deferred Income	Amount Recognized in Capital Fund.	Total Grant Income During the Year	2017-2018
	Kshs	Kshs	Kshs	Kshs	Kshs
Ministry of Industry, Trade and Cooperatives	35,600,000	-	560,672,500	596,272,500	596,272,500
Total	35,600,000	-	560,672,500	596,272,500	596,272,500

25 FINANCIAL RISK MANAGEMENT

The EPZA's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Authority's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Authority does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Authority's financial risk management objectives and policies are detailed below:

i. Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

Credit risk (Continued)

Included in the in the trade receivables (Rent, licence and water) is Kshs 163.89 million and Kshs 275.92 million categorized as Doubtful Debts and Bad Debts respectively. These debts have proved to be uncollectable and adequate provision for the doubtful debts should be made as well as writing-off bad debts.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Authority's directors, who have built an appropriate liquidity risk management framework for the management of the Authority's short, medium and long-term funding and liquidity management requirements. The Authority manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

(iii) Market risk

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

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

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

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

a) Foreign currency risk

The Authority has transactional currency exposures. Such exposure arises through rendering of services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of receipt is done using the prevailing exchange rate.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 FINANCIAL RISK MANAGEMENT (Continued)

(i) Market risk (Continued)

The Authority manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The Authority analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

27 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Description	2017-2018 Kshs	2016-2017 Kshs
Court cases against the EPZA	1,075,581,836	127,720,300
Total	1,075,581,836	127,720,300

	Description	FY 2017/2018 Contingent liabilities	FY 2016/2017 Contingent Liabilities
1	HCCC NO. 315 of 2009 Tanathi Water Services Board Vs. EPZA	43,000,000	-
2	HCCC No. 35 of 2010 Machakos Kapa Oil Refineries & 7 others Vs. EPZA, Mavoko Water & Sewerage Co. Ltd and Tanathi Water Services Board.	10,692,000	-
3	Land and Environmental Case No. 209 of 2017 Kajiado (Formerly Civil Suit No. 908 of 2014 Nairobi and Case No. 52 of 2014 Machakos) Presbyterian Foundation, Trustee of P.C.E.A. Kitengela Township Church (Plaintiff) Vs. Export Processing Zones Authority (Defendant)	18,500,000	18,500,000

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4	HCCC No. 96 OF 2014 – Mombasa (Environment and Land Division EPZA Vs. OLSA (Debt Recovery)		-
5	HCCC No. 212 of 2012 Musyoki Kaloki Mbui Vs. Export Processing Authority	2,000,000	2,000,000
6	Industrial Case No. 1386 of 2014 – Nairobi Charles Kipkorir Misik & 11 Others Vs. EPZA	32,340,000	-
7	CMCC No. 311 of 2010 - Machakos Philip Kivuva Vs. EPZA & 3 Others	-	6,500,000
8	ELC Case No. 150 of 2015 –Nairobi EPZA Vs. Nairobi City Water & Sewerage Company Limited	200,000,000	-
9	ELC Case No. 351 of 2015 –Nairobi-Water Resources Management Authority Vs. Export Processing Zones Authority	132,000,000	-
10	Kajiado PMCCC. No 27 of 2016 Daniel Musyoki & Others Vs. EPZA	2,850,850	2,850,850
11	ELC CASE NO. 1259 OF 2016 – Nairobi EPZA Vs. Osingit Ole Mutengi, Koisingit Ole Mutunkei Lamo, County Registrar Kajiado and National Land Commission	42,550	42,550
12	ELC Civil Suit No. 96 of 2017 Kelvin Nzioki & 53 Others Vs. EPZA & Kenya Meat Commission	-	-
13	Employment and Labour relations Court of Kenya at Nairobi Case No, 481 of 2017 – Beatrice Wambui Njenga Vs. EPZA	-	1,528,700
14	ELC Case No 127 of 2017 Lowdan Exporters EPZ Limited Vs. EPZA	-	-
15	Machakos HCCC NO 13 of 2017 Mohazo EPZ Limited Vs. EPZA and New Wide Garments EPZ Limited	96,298,200	96,298,200
16	HCCC No. 89 of 2007 -GABRIEL MUTISO MAANDA Vs. Davanis Supplies Ltd, David K. Mundui, Evans Mutinda, The Commissioner of Lands and EPZA (5th Defendant)	-	-
17	Mombasa Petition 1 of 2016 – Kelvin Musyoka and 10 other-vs- Export Processing Zone and 7 others.	-	-
18	Mombasa ELC Case no. 85/2018- Export Milling (EPZ) limited –vs-H. Young, Kenya Ports Authority and Export Processing Zones Authority	537,858,236	-
		1,075,581,836	127,720,300

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 CAPITAL COMMITMENTS

Description	2017-2018 Kshs	2016-2017 Kshs
Authorized and Contracted for	5,272,608,209	3,470,004,181
Total	5,272,608,209	3,470,004,181

29 SURPLUS REMISSION

The EPZA did not make any surplus during the year (FY 2017 Nil) and hence no remittance to the Consolidated Fund.

30 EVENTS AFTER THE REPORTING PERIOD

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

31 ULTIMATE AND HOLDING ENTITY

The Export Processing Zones Authority is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of xxx. Its ultimate parent is the Government of Kenya.

32 Currency

The financial statements are presented in Kenya Shillings (Kshs).

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Land As previously reported included in property, plant and equipment balance of Kshs 9,476,115,000 as at 30 June 2016 are two parcels of land Ref. LR. No. Olooloitikoshi/Kitengela/61 and 70, measuring 2 hectares and valued at Kshs 2,250,000. Although the parcels of land were acquired and gazetted through Gazette notice Nos. 2802 and 2803 of 5 July 1991, the Authority had not obtained the title documents as at 30 June 2014.	(i) The Authority is in the process of obtaining ownership documents for LR. No. Olooloitikoshi/Kitengela/61 measuring approx. 1 hectare. The land was surveyed and beacons placed on the ground with the concurrence of the owner. The Authority is currently following up with the owner to formally transfer the land to EPZA. (ii) On the issue of ownership of LR. No. Olooloitikoshi/Kitengela/70 the matter is in court and the Authority is awaiting a Court's decision. As of now, the Authority has to wait for the outcome of the court case.	CEO and GM-Commercial & Technical Services.	Not Resolved	On going
2	Boreholes In 2007, the then Ministry of Water and Irrigation developed two (2) boreholes on EPZA land, one at the disputed parcel of land next to PCEA Church Kitengela Township and the other next to the EPZA police post. The management has indicated that ownership of	i) The Authority is currently liaising with the Ministry of Environment, Water and Natural Resources who dug and equipped the borehole at the elevated water tank to have the borehole's asset formally transferred to EPZA. Attached please find the relevant correspondence. ii) The Borehole next to EPZA police post is situated on EPZA land and ownership is further supported by implied and	CEO and GM-Commercial & Technical Services.	Not Resolved	On going

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	boreholes was handed over to the Authority without formal documentation and that the boreholes have been tested and confirmed to be economically viable. However, no evidence has been provided for audit review to confirm that the two boreholes have been valued and recognized as the assets of the Authority. In the circumstances, it has not been possible to confirm that the Property, Plant and Equipment balance of Kshs.9,476,115,000 as at 30 June 2016 is fairly stated.	adverse possession over the years.			
3	Trade and Other Receivables As previously reported, included in trade and other receivables balance of Kshs 548,866,000 as at 30 June 2016 is an amount of Kshs. 10,969,276 which relates to advances and outstanding imprests issued to ex-staff. The figure includes Kshs. 8,690,786 issued to former Chief	The former CEO was dismissed and ordered to pay the Authority all outstanding monies. This matter was forwarded to Ethics and Anti-Corruption Commission and the former officer is under investigation pending conclusion.	CEO	Not Resolved	On-going. The former CEO's case will be dependent upon the EACC conclusion of the matter.

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)		Timeframe: (Put a date when you expect the issue to be resolved)
	Executive Officer of the Authority. The former CEO disregarded the Government code of regulations (HIO) on advance of salary which provides that an advance of not more than one month salary may be granted to an officer owing to circumstances beyond his/her control. It further provides that advance may be granted only when an officer has no other outstanding salary advance and that it not be more than one month within the year. The Authority's internal management policy also provides that in the absence of a written management policy, the advance should be granted to staff through the payroll system. The former CEO was circumvented by the former CEO using the Authority's senior officers approved and authorized salary advances and other					

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Some transactions for imports without necessary approval from the Board of Directors. This was in contravention of Government regulations and the Authority's staff were not keeping proper records. In addition, the amount of Kshs. 48,000,000 was not paid to him as he was not allowed to be paid within 24 hours after completion of assignment for which the imprest was issued. This amounted to violation of existing regulations and negligence by former C/O. Consequently, the recovery and recoverability of trade and other receivables balance of Kshs. 548,866,000 as at 30 June 2016 could not be confirmed.				

Sign: 
Chief Executive Officer

Date: 11/6/17

Sign: 
Chairman of the Board

Date: 11/6/17

Guidance Notes:

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- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Sign.....

Chief Executive Officer

Date.....11/6/19

Sign.....

Chairman of the Board

Date.....11/6/19

APPENDIX 16: PROJECTS IMPLEMENTED BY THE ENTITY

State of Projects Completion

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			complete overall for 4 units and awaiting completion of civil works; 80% complete overall for remaining 4 units. Roofing & Finishes ongoing. See attached project report and photos			
2	Construction of 3 Kms of new Paved Roads (Lot 1)	EPZA Tender No. 02/2014-2015 Contracted Party - Jomwaks Enterprises Ltd. Location - Athi-River Textile Hub (Athi-River EPZ, Machakos County)	Ongoing 98% complete overall. Currently completing drainage and pedestrian pavements	245,924,954	223,623,387	-
3	Construction of 6 Kms of new Paved Roads (Lot 2)	EPZA Tender No. 02/2014-2015 Contracted Party - Aridlands Construction Co. Ltd. Location - Athi-River Textile Hub (Athi-River EPZ, Machakos County)	Ongoing 98% complete overall. Currently completing drainage and pedestrian pavements;	502,464,180	419,154,503	83,309,677
4	Roads (Lot 2 completion, repairs and maintenance of old roads)	EPZA Tender No. 26/2015-2016 Contracted Party - Aridlands Construction Co. Ltd. Location - Athi-River Textile Hub (Athi-River EPZ, Machakos County)	Ongoing 75% complete;	146,272,981	90,377,145	55,895,836
5	Construction of 8.3 Kms of new Water Supply and Distribution Pipeline and 6,500 Cubic Meters Storage Tank	EPZA Tender No. 03/2014-2015 Contracted Party - Hirola Investments Ltd. Location - Athi-River Textile Hub (Athi-River EPZ, Machakos County)	Ongoing 98% complete. Currently addressing snags on water tank;	384,684,455	346,216,010	38,468,446

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6	Advisory on Textile Development/Investment Projects	- EPZA/MOIED/RFP/06/2014-2015 Contracted Party - CFC Stanbic Bank Ltd. & IKM Advocates Coverage - National, Regional & International	Completed	51,549,400	51,549,400	-
7	Civil Works (Perimeter Fencing, Gate/Guard House, Road Works and Drilling of Borehole)	EPZA Tender No. EPZA/03/2015/2016 Contracted Party - Isfahan Contractors Ltd. Location - Samburu EPZ Industrial Park (Kwale County)	Completed Box Culverts to be procured separately due to contract expiry before variation;	51,424,543	48,853,316	2,571,227
8	Branding, Communications and Marketing Consultancy	EPZA/RFP/02/2015-2016 Contracted Party - True North Associates & Transcend Media Group (TMG) Coverage - National, Regional & International	Ongoing 80% complete. New Brand Identity developed for EPZA and Kenya Leather Park. New Branding, Communications & Marketing Strategy developed for EPZA	21,619,200	7,855,996	13,763,204
9	Feasibility Study & Business Case for Samburu EPZ Industrial Park	EPZA RfP No. 04/2015-2016 Contracted Party - East Africa Consulting Engineers Coverage - Samburu EPZ Industrial Park (Kwale County)	Completed Final Validated Feasibility report submitted	6,987,000	6,987,000	-

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10	Feasibility Studies & Business Cases for Athi-River International Trade, Convention & Exhibition Center and Athi-River EPZ Housing Development	EPZA RfP No. 05/2015-2016 Contracted Party - University of Nairobi Enterprise Services (UNES) Coverage - Athi-River Textile Hub (Athi-River EPZ, Machakos County)	Completed Final Validated Feasibility report submitted	8,775,400	8,775,400	-
11	Feasibility Study, Business Case & Technical Advice for Textile and Apparel Skills and Productivity Resource Center	EPZA RfP No. 04/2015-2016 Contracted Party - Gherzi Consultants (India) in JV with Voyants (Kenya) Coverage - Athi-River Textile Hub (Athi-River EPZ, Machakos County)	Ongoing 70% complete. MOU signed with NITA for roll-out;	29,535,251	11,040,927	18,494,324
12	Partitioning, Fit-out and Equipping of Textile and Apparel Skills and Productivity Resource Center	EPZA Tender No. 27/2015-2016 Contracted Party - Charwins Ltd. Location - Athi-River Textile Hub (Athi-River EPZ, Machakos County)	Ongoing 65% complete;	20,330,875	5,005,999.50	15,324,876
13	Construction of 8 Km long Pre-cast Concrete fencing to upgrade security at the Athi-River Textile Hub	EPZA Tender No. 03/2016-2017 Contracted Party - Atticon Limited Location - Athi-River Textile Hub (Athi-River EPZ, Machakos County)	Ongoing 30% complete;	165,281,887	30,791,774	134,490,113
14	Construction of 7.5 Kms long Trunk Sewer for Phase II Lot 3 at Athi-River Textile Hub	EPZA Tender No. 03/2016-2017 Contracted Party - Dexterous Limited Location - Athi-River Textile Hub (Athi-River EPZ, Machakos County)	Ongoing 30% complete;	213,278,865	95,739,400	117,539,465

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15	Decommissioning of dumpsite and Construction of Other Civil Works at Athi-River EPZ	EPZA Tender No. 12/2016-2017 Contracted Party - Marcann Contractors Co. Ltd. Location - Athi-River Textile Hub (Athi-River EPZ, Machakos County)	Ongoing 20% complete;	150,260,710	31,810,320.0	118,450,390
16	Feasibility Study, Business Case: Acquisition of land; Civil Works (Perimeter Fencing, Gate/Guard House, Road Works and Drilling of Borehole Homa Bay EPZ Industrial Park	Procurement pending	Lease executed for 110 acres of land between EPZA and Homa Bay County Government for 65 years; Planning Stage for rolling out fencing and masterplan ning	14,000,000	0	14,000,000
17	Feasibility Study, Business Case: Acquisition of land; Civil Works (Perimeter Fencing, Gate/Guard House, Road Works and Drilling of Borehole - Voi EPZ Textile Industrial Park	Procurement pending	Potential land identified; Awaiting funding	642,000	0	642,000
Sub-Total (i)				3,380,742,174	2,266,655,395	1,114,086,779
LEATHER DEVELOPMENT BUDGET FY 2017/18						

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1	Construction of Trunk Sewer and reticulation covering phase II at Athi-River EPZ and connecting to Kinanie ETP Site	EPZA Tender No. EPZA Tender No. EPZA/OP/PH2/1/2012 (Contract sum 212,333,000.74) - Balance Contracted Party - Dickways Construction Ltd. Location - Athi-River Textile Hub (Athi-River EPZ) & Kenya Leather Park (Kinanie EPZ), Machakos County)	Completed			
				212,333,001	212,333,001	-
2	Rehabilitation of Trunk Sewer and Kinanie ETP infrastructure	EPZA Tender No. EPZA Tender No. 16/2014-2015 Contracted Party - Northern Star Company Ltd. Location - Kenya Leather Park (Kinanie EPZ), Machakos County)	Completed			
				211,442,879	211,442,879	-
3	Construction of 0.7 Kms of Paved Road, Pedestrian Walk-way, drainage and Streetlighting at Kinanie ETP Site	EPZA Tender No. Roads - EPZA Tender No. 07/2014-2015 Contracted Party - Pinnie Agencies Ltd. Location - Kenya Leather Park (Kinanie EPZ), Machakos County)	Completed			
				51,514,830	51,210,021	304,809
4	Construction of Kenya Leather Park Internal Access Roads and Civil Works	EPZA Tender No. Roads - EPZA Tender No. 29/2016-2017 Contracted Party - Marcann Contractors Co. Ltd. Location - Kenya Leather Park (Kinanie EPZ), Machakos County)	Ongoing 98% complete; Drainage works ongoing;			
				146,111,497	136,324,196	9,787,301

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5	Drilling and equipping of one borehole at the Kinanie Leather Industrial Park	EPZA Tender No. EPZA Tender No. 10/2014-2015 Contracted Party - Tibyaan Enterprise Ltd. Location - Kenya Leather Park (Kinanie EPZ), Machakos County)	Completed See attached project report and photos	8,121,386	8,121,386	-
6	Drilling and equipping of 2x boreholes at the Kinanie Leather Industrial Park	EPZA Tender No. EPZA Tender No. 11/2014-2015 Contracted Party - Pinnie Agencies Ltd. Location - Kenya Leather Park (Kinanie EPZ), Machakos County)	Completed	16,311,391	16,311,391	-
7	Design & Construction Supervision of modern Common Effluent Treatment Plant (CETP) at the Kenya Leather Park	EPZA Tender No. EPZA Tender No. 17/2014-2015 Contracted Party - Shah Technical Consultants Pvt Ltd. (India) & Intergrated Science & Engineering Projects Ltd. (Kenya) - Joint Venture Location - Kenya Leather Park (Kinanie EPZ), Machakos County)	Ongoing 60% complete;	59,011,334	44,394,799	14,616,535
8	Design & Construction Supervision of Water Supply, Storage and Distribution Infrastructure at the Kenya Leather Park	EPZA Tender No. EPZA RFP No. 01/2016-2017 Contracted Party - Kiri Consult Ltd. Location - Kenya Leather Park (Kinanie EPZ), Machakos County)	Ongoing 70% complete;	54,357,600	27,178,800	27,178,800

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9	EPC Contract for Construction of modern Common Effluent Treatment Plant (CETP) and Associated Infrastructure at the Kenya Leather Park	KLP/KLDC-EPZA Tender No. 1/2016-2017 Contracted Party - EPCO Builders Ltd. at Kshs. 2,265,324,233.33 (EPZA contribution at 50%) Location - Kenya Leather Park (Kinanie EPZ), Machakos County)	Ongoing 23.5% complete; Detailed design stage;			
				1,132,662,117	67,959,727	1,064,702,390
	Sub-Total (ii)			1,891,866,035	775,276,199	1,116,589,836
	GRAND TOTAL			5,272,608,209	3,041,931,594	2,230,676,615

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APPENDIX III: INTER-ENTITY TRANSFERS

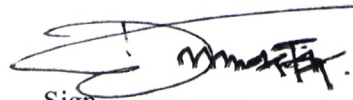
ENTITY NAME:	Export Processing Zones Authority		
	Break down of Transfers from the State Department of Investment and Industry		
FY 2017/2018			
a. Recurrent Grants			
	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	01/09/2017	10,200,000	FY 2017/2018
	04/12/2017	10,200,000	FY 2017/2018
	13/02/2018	10,200,000	FY 2017/2018
	26/06/2018	5,000,000	FY 2017/2018
	Total	35,600,000	
b. Development Grants			
	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
	13/10/2017	50,000,000	FY 2017/2018
	20/11/2017	50,000,000	FY 2017/2018
	02/05/2018	112,500,000	FY 2017/2018
	25/05/2018	48,172,500	FY 2017/2018
	04/07/2018	300,000,000	FY 2017/2018
	Total	560,672,500	

The above amounts have been communicated to and reconciled with the parent Ministry

Ag. GM-Finance, HR & Administration
 EPZ Authority

Head of Accounting Unit
 State Department for Investment & Industry

Sign -----


 Sign-----