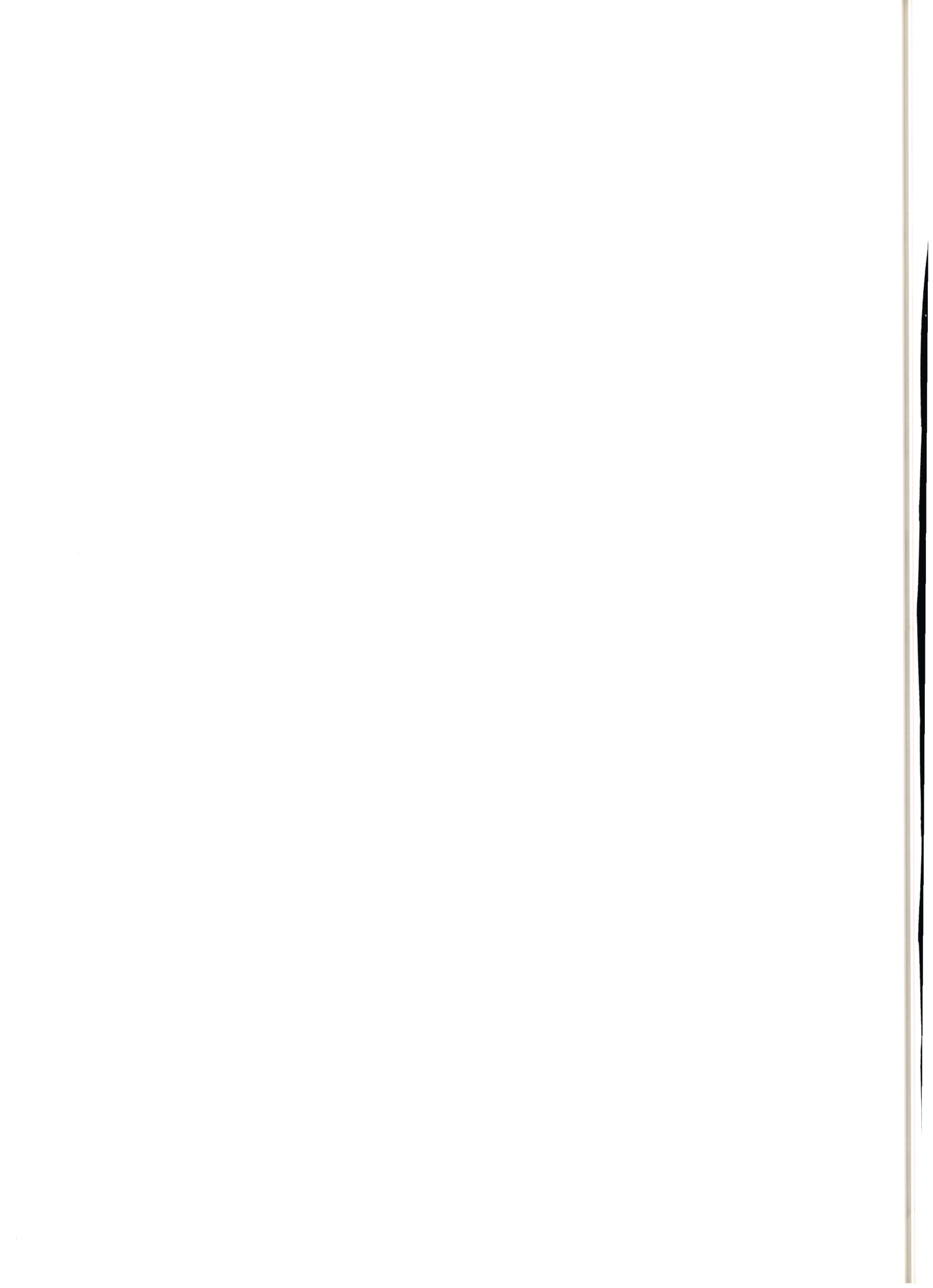




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Annual Report and Financial Statements
For the Financial Year ended June 30, 2014





KENYA INVESTMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2014

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

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I. KEY INFORMATION AND MANAGEMENT

(a) Background information

Kenya Investment Authority (KenInvest) is a statutory body established in 2004 through an Act of Parliament (Investment Promotion Act No. 6 of 2004) and mandated to promote and facilitate both domestic and foreign investments in Kenya.

(b) Principal Activities

The Authority is responsible for facilitating the implementation of new investment projects, providing after care services for new and existing investments, as well as organizing investment promotion activities both locally and internationally.

(c) Key Management

The Authority's day to day management is under the following key departments:

- i. Investment Promotion
- ii. Investor Services
- iii. Research, Policy Advocacy and Planning
- iv. Legal and Corporate Affairs
- v. Finance and Administration

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Managing Director	Moses Ikiara, PhD, MBS
2.	General Manager-Investor Services	Mwalimu Musee
3.	Ag. General Manager-Finance & Administration	Donna Atieno
4.	Ag. General Manager-Investment Promotion	Pius Rotich
5.	General Manager-Research, Policy Advocacy & Planning	Martin Mutuku

(e) Fiduciary Oversight Arrangements

The Authority has put in place key fiduciary oversight arrangements covering:

- Board Committees i.e. Audit & Governance Committee; Finance, Human Resources & Administration Committee; Strategy & Investment Committee.
- Internal Audit.
- Transparency and Accountability Governance Structures.

(f) Kenya Investment Authority Contacts

Kenya Investment Authority (Headquarters)
Kenya Railways Block D, 4th Floor
P. O. Box 55704 - 00200 Nairobi
Tel: (254) (730) 104200
Email: info@investmentkenya.com
Website: www.investmentkenya.com

Branches

Regional Office, Kisumu
Jubilee House, 1st Floor, Angawa Avenue
P. O. Box 1458-40100 Kisumu
Tel: 057-2020746, Wireless: 020-2393923
Fax: 057-2021040
E-mail: ksm@investmentkenya.com

Regional Office, Mombasa
Mombasa Trade Center
6th Floor, South Tower
Tel: 041-2013554/5, Wireless: 020-2121100
E-mail: msa@investmentkenya.com

Regional Office, Eldoret
National Bank Building
2nd Floor, Oloo Street
P. O. Box 4638- 30100 Eldoret
Tel: 053-2060746, 2060774, 2060793
E-mail: eld@investmentkenya.com




(g) Kenya Investment Authority Bankers



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

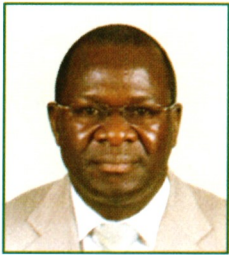


(h) Independent Auditors




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

II. THE BOARD OF DIRECTORS


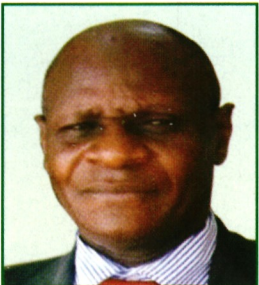

DIRECTOR	DIRECTOR PROFILE
<p>1. Mrs. Ann Wangari Kirima - Muchoki – Chairperson</p>  <ul style="list-style-type: none"> • MBA (Masters in Business Administration) • BA (Hons) Politics & Economics • MSc Commercial Property Management • ARICS (Associate Member of the Royal Institute of Chartered Surveyors) • Registered Estate Agent. 	<p>Date of Birth: 24.02.1968</p> <p>2013- to date: Chairperson 2009 – to date: Director, KCB Rwanda 2010 – to date: Director, Migaa 2012 – to date: Director, Mambui Golf Resort 2004 – to date: Director, Added Value Group Ltd 2000 – to date: Director, A Chartered Touch 1994 - 2000: Managing Director, Regent Management Ltd</p>
<p>2. Principal Secretary, Ministry of Devolution & Planning (Alternate Member - Mr. Alfred K. M. Diru)</p>  <ul style="list-style-type: none"> • Master of Business Administration (International Business Management) • Bachelor of Commerce Degree, Finance • Diploma in Animal Husbandry 	<p>July 2013- to Date - Senior Finance Officer and Personal Assistant to the PS, Ministry of Devolution and Planning (State department for Planning)</p> <p>Aug 2010 to March 2013 - Personal Assistant to the Minister, Ministry of Youth Affairs and Sports</p> <p>June 2008 to August 2010 - Personal Assistant to the Minister, Ministry of Fisheries Development.</p> <p>March 2008- June 2008: Deputy District Livestock Production Officer</p>
<p>3. Principal Secretary, Ministry of Industrialization & Enterprise Development (Alternate Member – Mr. Reuben Rotich)</p>  <ul style="list-style-type: none"> • MA -Public Administration and Development 	<p>Date of Birth - 28th March 1955</p> <p>1985 -2003 Public Administration</p> <p>2003 to date Ministry of Industrialization and Enterprise Development</p>

<p>4. Principal Secretary, Ministry of East African Affairs, Commerce & Tourism (Alternate Member- Mrs. Margaret Byama)</p>  <ul style="list-style-type: none"> • Bachelor of Arts Degree from University of Nairobi • Certificate in Public Financial Management from Manchester University. 	<p>Director on the Board of Centum Investment Company Limited and its subsidiaries since January 2009</p> <p>Chief Finance Officer in the Ministry of Trade with over 20 years' experience in public financial management.</p> <p>Chairperson of the Wildlife Clubs of Kenya and was the immediate former Chief Executive Officer of the National Humanitarian Fund for IDP's.</p>
<p>5. Principal Secretary, Ministry of Agriculture, Livestock and Fisheries (Alternate Member – Mr. Wellington Lubira)</p>  <ul style="list-style-type: none"> • Double masters in pure economics from University of Poona India (1984) and in Economics and Management of Rural Development from University of Manchester, UK (1992) 	<p>Date of Birth: - 4th September, 1961</p> <p>26 Years as an Economist in Government</p>
<p>6. Principal Secretary, National Treasury (Alternate Member - Mr. Wanyambura Mwambia)</p>  <ul style="list-style-type: none"> • Master of Arts (Development Economic) 	<p>Date of Birth: 10th January, 1956</p> <p>2010 to date: Deputy Director Economic Affairs National Treasury</p>

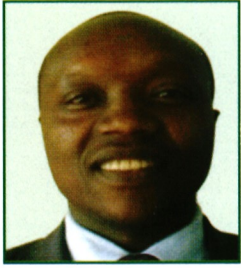
<p>7. Principal Secretary, Ministry of Lands, Housing and Urban Development (Alternate Member- Mr. Augustine Masinde, EBS, MBS)</p>  <ul style="list-style-type: none"> • Master of Arts (Urban and Regional Planning) • Corporate Member of both the Kenya Institute of Planners and Architectural Association of Kenya(Town Planners Chapter) • Member of the International Society for City and Regional Planners (ISOCARP). • Registered Physical Planner 	<p>Date of Birth - 1962</p> <p>Chief Government Adviser on Physical Planning</p> <p>Chairman of the Physical Planners Registration Board</p> <p>National Director of Physical Planning</p>
<p>8. Principal Secretary, Ministry of Devolution & Planning (Alternate Member – Mr. Moturi P. Asati)</p>  <ul style="list-style-type: none"> • BA Architecture (hons) University of Nairobi • Student of Master in science in Disaster Preparedness and Management 	<p>DOB - 5th July 1956</p> <p>Member of the steering committee of the collapsing houses in Nairobi.</p>
<p>9. Principal Secretary, Office of the President (Alternate Member- Mr. William K. Mahinda)</p>  <ul style="list-style-type: none"> • Master of Arts (Economics) • B.A (Economics) 	<p>Date of Birth: - 22nd May 1959</p> <p>2005 to date – Chief Economist Caninet office,</p> <p>Director Commision of Higher Education, KIPPRA, KenInvest, LAPPSET</p> <p>2001-2005 – Provincial Coordinator – NACC</p>

<p>10. Mr. Cyrille Nabutola - Chief Executive, Export Processing Zones Authority EPZA)</p>  <ul style="list-style-type: none"> • Master of Business Administration (Strategic Management) 	<p>Date of Birth: - 22nd May 1959</p> <p>2012 to date - Managing Director EPZA</p> <p>1997-2012 -Managing Director - Nation Media Group, Span Image, Gemster International</p> <p>1982-1997 – Senior Management – G4S, Total Kenya, Nation Media Group</p>
<p>11. Ms. Ruth Mwaniki - Chief Executive, Export Promotion Council (EPC)</p>  <ul style="list-style-type: none"> • MPPA and LLB • Development Lawyers Course (International Development Law Institute, Rome) • Academy of American and International law (International and Comparative Law Centre, Texas) • Diploma in Law (Kenya School of Law) 	<p>Date of Birth - 1966</p> <p>Chief Executive Officer, Export Promotion Council</p> <p>Managing Director/Company Secretary, KPCU</p> <p>Senior Legal Officer, Kenya Posts & Telecommunications Corporation</p> <p>Legal Officer, National Housing Corporation</p>
<p>12. Dr. Moses Ikiara - Managing Director, Kenya Investment Authority</p>  <ul style="list-style-type: none"> • PhD (Environmental and Natural Resource Economics) • Master of Arts (Economics) • B. Sc (Agriculture) 	<p>Date of Birth: - 3rd September, 1965</p> <p>2013 to date - Managing Director, KenInvest</p> <p>2006 – 2012 - Executive Director, (KIPPRA)</p> <p>2005 – 2006 - Ag. Executive Director, KIPPRA</p> <p>2003 – 2005- Senior Analyst & Programme Coordinator, KIPPRA</p> <p>2000 – 2003-Policy Analyst, KIPPRA</p>

III. MANAGEMENT TEAM

<p>1. Dr. Moses Ikiara</p>  <ul style="list-style-type: none">• PhD (Environmental and Natural Resource Economics)• Master of Arts (Economics)• B. Sc (Agriculture)	<p>Managing Director</p>
<p>2. Mwalimu Musee</p>  <ul style="list-style-type: none">• B.A (3.1.1)(Economics)	<p>General Manager, Investor Services</p>
<p>3. Martin Mutuku</p>  <ul style="list-style-type: none">• Master of Arts (Economics)• B.A (Economics)	<p>General Manager, Research, Policy Advocacy and Planning</p>

4. Pius Rotich



- Bachelor of Education

Ag. General Manager-Investment Promotion

5. Donna Atieno



- MBA (Finance)
- CPA (K)
- BBM (Accounting)

Ag. General Manager, Finance and Administration.



IV. CHAIRPERSON'S STATEMENT

On behalf of the Board of Directors, I am pleased to present to you KenInvest's annual report for the year ended 30th June, 2014. We made significant progress during the year, as reflected in an improved performance management score, not only in investment promotion but also investor facilitation.

In the past year the Authority achieved a significant milestone by developing its 2013-2017 Strategic Plan in line with the Medium Term Plan (MTP II) 2013-2017 of the Kenya Vision 2030. MTP II aims to up scale the objectives and aspirations of Vision 2030 and to deliver accelerated, inclusive and transformative economic growth by focusing on key growth sectors. The role of KenInvest will be to focus on facilitation of the achievement of National and County government investment goals, consistent with the broader Vision 2030 objectives, other development policies and the Constitution of Kenya 2010.

Under my leadership, the Board will continue to put in place measures aimed at guarding the reputation of Kenya Investment Authority as an efficient and effective investment promotion agency. The Board will also work in collaboration with other agencies of government and private sector to position and maintain Kenya as a leading investment destination. As in previous years, KenInvest welcomes the support and participation of all agencies in improving the ease of doing business in Kenya.

My message to fellow Board Members, Management and Staff of KenInvest is for them to constantly remember that it is a great privilege to serve our country. Moreover, as they serve with dedication and diligence, I urge them to uphold the values of patriotism and pride in our Nation.

We thank all those who worked with us to achieve considerable progress in 2013/14 and look forward to further partnership and even stronger partnership and performance in 2014/15.

May God bless our great Nation, Kenya.



Mrs. Anne W. Kirima-Muchoki
**CHAIRPERSON,
BOARD OF DIRECTORS**

V. REPORT OF THE MANAGING DIRECTOR

Kenya has been described as, and is indeed, a wonderful, beautiful and amazing place to visit, live and invest in. Regionally, the country has continued to consolidate her position as the regional economic powerhouse. It is also the gateway into Eastern and Central Africa region and is now realizing strong growth in investment.

The Kenya Investment Authority (KenInvest) has been honoured with the responsibility of attracting, facilitating, retaining and expanding investments in Kenya from both domestic and foreign investors. As the team leader at the Authority, it is once again my great honour and humble duty to report on its activities for the financial year July 2013 to June 2014.

The highlight of the year was the launch of KenInvest's new strategic plan for the period 2013-2017 with the following five (5) strategic objectives:

1. To promote and facilitate new Investments and re-investment worth Kshs.702 billion by the end of June 2017;
2. To provide leadership in provision of investment information, capacity building and coordination of investment activities both at national and county level by 2017;
3. To enhance evidence based policy advocacy in order to improve Kenya's investment environment to be among the top 5 in Africa by end of June 2017;
4. To strengthen institutional and human resource capacity in KenInvest; and
5. To secure, diversify and sustain adequate funding to the Authority during the strategic period.

In spite of the insecurity challenges, the Authority was able to make the following key achievements during the financial year 2013/2014:

- i. The Composite Score in the Performance Contracting programme improved significantly;
- ii. Investment project proposals worth KShs.101.02 billion were registered against a target of Kshs 150 billion;
- iii. Thirty six (36) Vision 2030 projects targeting strategic investors were profiled, their implementation road maps developed, and their funding models and collaboration frameworks developed;
- iv. Five (5) national investment forums were held targeting mining, tourism, agri-business, ICT, agro processing and manufacturing. These were aimed at attracting investments into Kenya;
- v. After care services to new investors and existing investors were offered and a total of 213 projects were visited and investor concerns compiled and analysed. A study was commissioned to identify practical solutions to these concerns, based on best practices around the World and Kenya's unique characteristics and circumstances. The findings will be communicated to the National Treasury and other Government agencies through policy advocacy avenues; and
- vi. Good progress was done towards improvement of ease of doing business in the country. Activities towards this included the following:

- a. Meetings were held with the Cabinet Secretary Ministry of Industrialization and Cabinet Secretary Ministry of Energy on “Ease of doing business” on 11th March 2014;
- b. A similar meeting was held with World Bank, the local consultants that conduct research used for compilation of the Global Competitiveness Index and Cabinet Secretary Industrialization on 13th March, 2014;
- c. A meeting was held with World Bank and Kenya Power in April, 2014, which led to the appointment of KPLC representatives to OSS. Procedures for getting electricity were reduced to five. The time taken was reduced from 120 days to 30 days from application to the point of connection;
- d. Meeting with Registrar of Companies in May, 2014, which led to the improvement of time taken for registration of company name and search to 24 hours;
- e. Cabinet Memo on ease of doing business presented to Cabinet Secretary, Ministry Industrialization, and this led to the establishment of a Cabinet Committee on Improving Ease of Doing Business; and
- f. Greater progress was made towards operationalization of a One Stop Shop (OSS) for investors at KenInvest offices although budget constraints affected the planned relocation and establishment of a state of the art facility.

The Authority partnered with a number of stakeholders in public, private and development partners to deliver on a couple of programmes. These included partnerships with:

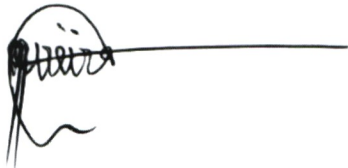
1. **Oxford Business Group (OBG)**, aimed at producing the country investment report 2014 and quarterly analytical pieces on Kenya's economic and investment climate. The OBG country reports are produced and widely distributed among the World's largest investors in OBG's database. The report, expected to be released in October 2014, will play a major role in promoting Kenya as a leading investment destination;
2. **International Finance Corporation (IFC)** and **Kenya Markets Trust (KMT)**, aimed at full operationalization of the One Stop Shop for Investors and development of an index to rank all the 47 counties based on quality of their investment environment. This was affected by the uncertainty surrounding parastatal reforms, which will merge KenInvest with four other parastatals;
3. **World Wild Fund (WWF)**, aimed at developing green investment guidelines for all sectors; and
4. **UNCTAD/UNDP**, towards a digital One Stop Shop for investors.

Some of the obstacles that stood in the way of better performance for the Authority, and which continue to pose challenges in the new financial year, include:

- i. HR challenges such as high staff turnover, inadequate staff establishment, lack of training and capacity building opportunities due to low funding, rigidity in structures, and uncertainty associated with parastatal reforms;
- ii. Inadequate ICT capacity to implement management information system;

- iii. Inadequate clout which hampers effective facilitation of investors;
- iv. Large information and data gap including challenges in capturing and processing the information and absence of a knowledge management system;
- v. Inadequate marketing efforts of investment opportunities due to their insufficient packaging, and inadequate budgetary resources; and
- vi. Low budgetary allocation by the exchequer and weak internal capacity to fundraise.

We at KenInvest are appreciative that, progressively, the level of confidence in the services of the Authority and the amount of investment continues to grow. The great achievements experienced by the Authority were made possible by the support of our Parent Ministry (Ministry of East African Affairs, Commerce and Tourism), numerous stakeholders and well-wishers. We thank them very much for this invaluable support. We look forward to continued partnership with them and other stakeholders as we implement our mandate of attracting and facilitating investments in Kenya; our contribution to the pursuit of Kenya Vision 2030.



Dr. Moses Ikiara, PhD, MBS
Managing Director

VI. CORPORATE GOVERNANCE STATEMENT

Introduction

Corporate governance comprises of the structures and systems put in place by an organization to enhance accountability and transparency. The concept of corporate governance has gained prominence and is enshrined in codes of best practice developed by Organization for Economic Co-operation and Development (OECD), Commonwealth Association of Corporate Governance (CACG) and the Centre for Corporate Governance in Kenya.

Kenya Investment Authority recognizes the need to conduct its business and operations with integrity and in accordance with generally accepted corporate governance practices, and endorses internationally developed principles of corporate governance. The Board of Directors will continue to focus their attention on maintaining the highest standards of corporate governance and business ethics in KenInvest's operations.

The Board of Directors

The members of the Board of Directors are shown in this report.

The Investment Promotion Act, 2004 Section 16(i) gives the Board of Directors the overall responsibility over the Authority with the Chairman being a Presidential appointee for a period of three years. Other members are representatives of the Government in their various capacities and the Managing Director who is the Secretary to the Board. The Board continued to ensure that proper standards of corporate governance were maintained and continued to have oversight over the management of the Authority, not only through the Board meetings but also through the various Board Committees. This was in spite of vacancies in the Board which are expected to be filled as soon as reforms of the state corporations sector are finalized.

In its governance, the Board has established three Committees as per section 4(1), of the Third Schedule of the Act. These Committees are described below:

1. Strategy and Investments Committee

This Committee is chaired by a non-executive member and meets on quarterly basis. The Committee has the overall mandate to ensure that all investment issues and the core function of KenInvest are maintained at all times. This includes investment promotion activities; investment facilitation activities such as through the One Stop Shop to facilitate smooth entry of investors and through effective after-care services; and through policy advocacy. The Committee's important task is to ensure the relevance of the strategic plan and sustained achievements of the set goals.

2. Finance, Human Resource & Administration Committee

This Committee is chaired by a non-executive member and meets on a quarterly basis. The Committee has the overall mandate to ensure that the budget is justified and adhered to, and that all expenditures are accounted for. It also has the mandate to ensure that all quarterly reports are presented in a timely fashion to the Board prior to the same being submitted to the Parent Ministry. All financial policies are discussed in this Committee.

This Committee also is tasked with ensuring that KenInvest maintains and attracts high calibre of human resources. The Committee handles recruitment, maintenance of the organization's practices, attitudes, and staff motivation. The Committee has worked tirelessly for the past two years to ensure that the organization employs and retains only high standard and professional staff.

3. Audit & Governance Committee

This Committee is chaired by a non-executive member and meets on a quarterly basis. The Committee has the responsibility of assisting the Board of Directors perform its oversight role in:

- Integrity of quarterly, half-yearly and year-end financial statements including reviewing the accounting policies and practices adopted in the preparation of financial information;
- Effectiveness of the internal control environment;
- Internal and external audit;
- Compliance with applicable laws, regulations, accounting & auditing standards, good corporate governance principles and other ethical issues.

The Full Board is required to meet at least four times in every financial year and not more than four months shall elapse between one meeting and the next meeting to discuss the overall performance of KenInvest. All full board meetings are convened by the Secretary to the Board upon instructions from the Chairman or upon the requisition of at least five members of the Board. All decisions are passed by a majority of present members voting with the Chairperson having the decisive vote in the event of a tie.

Board Members are required to enter into a Performance Contract every financial year with the government to evaluate its Performance against set targets. The Board completes an annual performance evaluation both self and independent of the Board and individual Directors of the Board and assesses the performance of the Board and individual Directors of the Board against the requirements of the Board Charter, KenInvest's Strategic Plan, the Annual Performance Contract and Investment Promotion Act 2004. The Annual Evaluation reviews the effectiveness of the Board, individual and collective roles of Board Directors and the duties and responsibilities of the Board Directors.

VII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of the Authority's affairs.

Principal activities

The principal activities of the Authority are to promote and facilitate investments in Kenya for both domestic and foreign investors.

Results

The results of the Kenya Investment Authority for the year ended June 30, 2014 are set out on page 1.

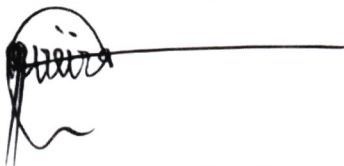
Directors

The members of the Board of Directors who served during the year are shown on page iii to v in accordance with the Investment Promotion Act, 2004.

Auditors

The Auditor General is responsible for the statutory audit of the Authority's financial statement in accordance with the Public Finance Management (PFM) Act, 2012.

By Order of the Board



Dr. Moses Ikiara, PhD, MBS
Managing Director/Secretary to the Board.

VIII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 (3) of the Public Finance Management Act, 2012 and the State Corporations Act, require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of each financial year and the operating results of the Authority for the same period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

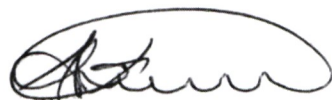
The responsibility over the preparation and presentation of the Authority's financial statements includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (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 Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements for the period ending June 30, 2014, 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 and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of the Authority's transactions during the financial year ended June 30, 2014, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority'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 Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Kenya Investment Authority's financial statements were approved by the Board on 17th September 2014 and signed on its behalf by:



Mrs. Ann W. Kirima-Muchoki
Chairperson



Dr. Moses M. Ikiara, PhD, MBS
Managing Director

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA INVESTMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Investment Authority set out on pages 1 to 14, which comprise the statement of financial position as at 30 June 2014, 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Directors Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and for such internal control as directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor-General's Responsibility

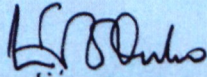
My responsibility is to express an opinion on the financial statements based on the audit and report in accordance with the provisions of Section 15(2) and (3) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Investment Promotion Act, No. 6 of 2004.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

18 May 2015

IX. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2014

	Note	2013/2014 KShs	2012/2013 KShs
Revenue from non-exchange transactions			
GoK Grants - Recurrent		225,000,000	250,000,000
GoK Grants -Development		47,500,000	90,000,000
		272,500,000	340,000,000
Revenue from exchange transactions			
Other income	3	1,367,864	1,126,170
		1,367,864	1,126,170
Total revenue		273,867,864	341,126,170
Expenses			
Employee costs	4	167,892,532	171,672,211
Board Expenses	5	3,941,312	6,571,604
Depreciation expense	6	11,272,913	12,872,148
Repairs and maintenance	7	1,342,595	1,253,908
General expenses	8	41,098,047	39,352,062
Programme Costs	9	43,227,971	72,735,759
Total expenses		268,775,370	304,457,692
Surplus for the period		5,092,494	36,668,478
Surplus attributable to:			
Owners of the controlling entity		5,092,494	36,668,478

The notes set out on pages 6 to 14 form an integral part of the Financial Statements

X. STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

		2013/2014 KShs	2012/2013 KShs
Assets			
Current assets			
Cash and cash equivalents	10	31,233,940	64,543,630
Receivables from exchange transactions	11	26,933,628	7,047,244
Receivables from non-exchange transactions	12	23,750,000	-
Deposits		560,000	560,000
		<u>82,477,568</u>	<u>72,150,874</u>
Non-current assets			
Property, plant and equipment	13	96,626,063	92,271,636
		<u>96,626,063</u>	<u>92,271,636</u>
Total assets		<u><u>179,103,631</u></u>	<u><u>164,422,510</u></u>
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	14	20,819,715	11,231,088
Total liabilities		<u>20,819,715</u>	<u>11,231,088</u>
Reserves		153,191,422	116,522,944
Accumulated surplus		5,092,494	36,668,478
Net Assets/Equity		<u>158,283,916</u>	<u>153,191,422</u>
Total Net Assets and Liabilities		<u><u>179,103,631</u></u>	<u><u>164,422,510</u></u>

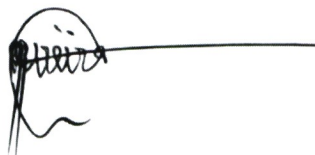
Mrs. Ann W. Kirima- Muchoki
Chairperson



Date

28/04/2015

Dr. Moses M. Ikiara, PhD, MBS
Managing Director



Date

27/04/2015

XI. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2014

	Self - insurance reserve	Capital replacement development reserve	Housing reserve	Accumulated surplus	Minority interest	Total
	KShs	KShs	KShs	KShs	KShs	KShs
Balance as at 30 JUNE 2012	-	-	-	116,522,944	-	116,522,944
Surplus/(deficit) for the period	-	-	-	36,668,478	-	36,668,478
Transfers to/from accumulated surplus	-	-	-	-	-	-
Balance as at 30 JUNE 2013	-	-	-	153,191,422	-	153,191,422
Surplus for the period	-	-	-	5,092,494	-	5,092,494
Transfers to/from accumulated surplus	-	-	-	-	-	-
Balance as at 30 JUNE 2014	-	-	-	158,283,916	-	158,283,916

XII. STATEMENT OF CASH FLOWS

	Note	2013/2014 KSHS	2012/2013 KSHS
<u>Cash flow From Operating Activities:</u>			
Net (Deficit)/ Surplus from Operations		5,092,494	36,668,478
Adjustments:			
Depreciation	6	11,272,913	12,872,148
Operating (Deficit)/Surplus before working capital changes		16,365,407	49,540,626
Decrease/(increase) in Receivables and Prepayments	11/12	(43,636,384)	(3,882,357)
(Decrease)/ Increase in Creditors	14	9,588,627	1,576,648
Net Cash flow from Operating Activities		(17,682,350)	47,234,917
<u>Investing Activities:</u>			
Purchase of Fixed Assets	13	(15,627,340)	(1,936,510)
Net Cash flow from Investing Activities		(15,627,340)	(1,936,510)
Net (Decrease)/ Increase in Cash & Cash equivalents		(33,309,690)	45,298,407
Cash & Cash Equivalents at the beginning of the Period		64,543,630	19,245,223
Cash & Cash Equivalents at the end of the Period	10	31,233,940	64,543,630

XIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2013-2014 Kshs	2013-2014 Kshs	2013-2014 Kshs	2013-2014 Kshs	2013-2014 Kshs
Revenue					
Government grants	272,500,000	-	272,500,000	272,500,000	-
Other Income	-	-	-	1,367,864	1,367,864
Total income	272,500,000	-	272,500,000	273,867,864	1,367,864
Expenses					
Employee costs	179,840,000	-	179,840,000	167,892,532	11,947,468
Board Expenses	4,000,000	-	4,000,000	3,941,312	58,688
Depreciation expense	-	-	-	11,272,913	(11,272,913)
Repairs & Maintenance	1,500,000	-	1,500,000	1,342,595	157,405
General expenses	39,660,000	-	39,660,000	41,098,047	(1,438,047)
Programme Costs	47,500,000	-	47,500,000	43,227,971	4,272,029
Total expenditure	272,500,000	-	272,500,000	268,775,370	3,724,630
Surplus for the period				5,092,494	

XIV. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Authority. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

Revenue from non-exchange transactions - 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 Authority and can be measured reliably.

Revenue from exchange transactions - Commission Income

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

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Authority. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Authority differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Authority 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.

The depreciation rates are as follows:

- Motor Vehicles – 25%
- Furniture & Fittings – 10%
- Computer and Accessories – 30%

d) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- i. The debtors or an entity of debtors are experiencing significant financial difficulty
- ii. Default or delinquency in interest or principal payments
- iii. The probability that debtors will enter bankruptcy or other financial reorganization
- iv. Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

e) Significant judgments and sources of estimation uncertainty

The preparation of the Entity'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 Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

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:

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

f) Provisions

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.

g) 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.

h) Employee benefits

Retirement benefit plans

The Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Authority pays fixed contributions to CFC Life Insurance Company, and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

i) Related parties

The Entity 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 Entity, or vice versa. Members of key management are regarded as related parties and comprise the Managing Director and General Managers.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the Authority's bankers.

k) Comparative figures

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

l) 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, 2014.

3. Other Income

	2014	2013
	Shs	Shs
WWF Sponsorship	1,300,500	-
Commission Income	49,364	46,170
Sale of Tender	18,000	1,080,000
Total	<u>1,367,864</u>	<u>1,126,170</u>

4. Employee costs

	2014	2013
	Shs	Shs
Basic Salaries	85,375,017	89,480,239
House Allowance	27,120,000	29,690,000
Other Personal Emoluments	14,409,547	14,592,927
Leave Allowance	1,975,000	2,210,000
Other Cash Allowances	10,424,886	2,944,323
Pension Contribution	16,434,104	17,936,095
Medical	11,228,925	12,761,294
Recruitment Cost	925,054	2,057,333
	<u>167,892,532</u>	<u>171,672,211</u>

Out of the total employee Costs KShs 19,961,320 related to related parties.

5. Board expenses

	2014	2013
	Shs	Shs
Chairman's Honoraria	1,044,000	875,575
Travel Costs and Subsistence Allowances	471,170	549,714
Sitting Allowances	1,800,000	3,860,000
Seminars and Workshops	383,218	715,900
Other Costs	242,924	570,415
	<u>3,941,312</u>	<u>6,571,604</u>

6. Depreciation expense

	2014	2013
	Shs	Shs
Motor Vehicle	1,970,244	2,626,992
Computer and Equipment	1,137,154	1,172,363
Furniture and Fittings	<u>8,165,515</u>	<u>9,072,794</u>
Total depreciation	<u>11,272,913</u>	<u>12,872,149</u>

7. Repairs and maintenance

	2014	2013
	Shs	Shs
Furniture and fittings	356,948	411,537
Vehicles	<u>985,647</u>	<u>842,371</u>
Total repairs and maintenance	<u>1,342,595</u>	<u>1,253,908</u>

8. General expenses

	2014	2013
	Shs	Shs
Rent Expenses	23,537,611	21,932,159
Utilities Expenses	1,681,560	1,775,730
Printing Expenses	1,004,099	806,926
Advertising	-	960,828
Newspaper Subscriptions	433,694	243,268
Sale of Tender	15,475	799,413
Hospitality, Supplies and Services	876,926	404,356
Office and General Supplies	1,000,528	1,010,393
Bank Charges & Commissions	161,006	114,092
Subscriptions	184,603	182,086
Audit Fees	290,000	330,000
Legal Fees	110,710	489,200
Cleaning	1,876,961	1,952,296
Security	529,700	462,340
Water Expenses	217,015	320,017
Staff Tea	630,021	420,661
Sponsorship Expenses	1,206,699	-
Fuel oils and Lubricants	1,521,795	1,020,366
Travel-Local	325,955	182,309
Travel-Internal	96,000	-
Training	1,479,955	3,098,803
ISO Related Expenses	661,600	-
Communication Expenses	1,506,124	1,387,787
Insurance Costs	<u>1,750,011</u>	<u>1,459,032</u>
Total General Expenses	<u>41,098,048</u>	<u>39,352,062</u>

9. Programme Costs

	2014	2013
	Shs	Shs
ICT Services	2,989,594	2,640,778
Document Imaging and Scanning	-	1,932,286
Coding of Assets	-	1,743,420
Research & feasibility studies	4,941,019	7,632,878

Policy Advocacy	4,659,077	6,991,970
Investment Product Development	2,181,755	9,606,860
International Marketing	15,790,520	17,510,788
Business Development Services	495,327	5,019,881
SPX Program	-	3,891,116
Investor Services	9,031,803	10,891,287
Corporate Branding	3,138,876	4,874,496
Total Programme costs	<u>43,227,970</u>	<u>72,735,759</u>

10. Cash and Cash Equivalents

	2014	2013
	KShs	KShs
Petty Cash – HQS	69,975	11,170
Petty Cash – JKIA	-	1,057
Petty Cash – Eldoret	632	340
Petty Cash – Mombasa	2,187	-
Petty Cash – Kisumu	4,280	5,000
Co-operative Bank	<u>31,156,867</u>	<u>64,526,063</u>
Petty Cash – HQS	<u>31,233,940</u>	<u>64,538,630</u>

11. Receivables from Exchange Transactions

	2014	2013
	KShs	KShs
Staff Imprests	2,744,143	1,295,024
Prepayments	<u>24,189,485</u>	<u>5,752,219</u>
	<u>26,933,628</u>	<u>7,047,243</u>

12. Receivables from non- exchange transactions

	2014	2013
	KShs	KShs
GOK Grants	<u>23,750,000</u>	<u>0</u>
	<u>23,750,000</u>	<u>0</u>

13. Property, Plant and Equipment

Cost	Motor Vehicles	Computers & Equipment	Furniture & Fittings	Total
	KShs	KShs	KShs	KShs
At 1st July, 2012	29,629,900	12,015,253	114,538,982	156,184,135
Additions		989,100	947,410	1,936,510
At 30th June, 2013	29,629,900	13,004,353	115,486,392	158,120,645
At 1st July, 2013	29,629,900	13,004,353	115,486,392	158,120,645
Additions	-	15,627,340	-	15,627,340
At 30th June, 2014	29,629,900	28,631,693	115,486,392	173,747,985
Depreciation				
At 1st July, 2012	19,121,932	9,096,478	24,758,450	52,976,860
Depreciation	2,626,992	1,172,363	9,072,794	12,872,149
At 30th June, 2013	21,748,924	10,268,841	33,831,244	65,849,009
At 1st July, 2013	21,748,924	10,268,841	33,831,244	65,849,009
Depreciation	1,970,244	1,137,154	8,165,515	11,272,913
At 30th June, 2014	23,719,168	11,405,995	41,996,759	77,121,922
Net Book Values:				
At 30th, June 2014	5,910,732	17,225,698	73,489,633	96,626,063
At 30th, June 2013	7,880,976	2,735,512	81,655,148	92,271,636

14. Trade and other payables from exchange transactions

	2014	2013
	Shs 000	Shs 000
Trade payables	11,676,055	10,753,761
Board Expenses	330,287	0
Audit Fees	290,000	290,000
Staff Claims	3,630,553	187,327
Creditors b/f	4,892,820	0
Total trade and other payables	<u>20,819,714</u>	<u>11,231,088</u>

15. Contingent Liability

The Authority has an ongoing legal dispute with a former supplier- M.A Consulting. The court issued a judgement against KenInvest for KShs. 6,371,718. The Authority has appealed that decision and judgement will be made on 10th October, 2014.