REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA DEVELOPMENT CORPORATION

FOR THE YEAR ENDED 30 JUNE, 2023

Revised Template 30th June 2023

KENYA DEVELOPMENT CORPORATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

Prepared in accordance with the International Financial Reporting Standards (IFRS)

1. Acronyms and Glossary of terms

CS	Corporation Secretary
DG	Director General
ESG	Environmental, Social, and Governance
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GOK	Government of Kenya
ICDC	Industrial and Commercial development corporation
IDB	Industrial Development Bank
IFRS	International Financial Reporting Standards
KDC	Kenya Development Corporation
MITI	Ministry of Investment, Trade and Industry
PFM	Public Finance Management.
PPE	Property, Plant and Equipment
PS	Principal Secretary
PSASB	Public Sector Accounting Standards Board
TFC	Tourism Finance Corporation
TNT	The National Treasury

2. Key Entity Information

a) Background information

Kenya Development Corporation (KDC) was incorporated as a state owned private limited company under the Company Act 2015 on 20th November 2020 to merge the operations of three DFIs namely, Industrial and Commercial Development Corporation, Tourism Finance Corporation and IDB Capital Limited. KDC commenced operations on 1st July 2021. At Cabinet level, KDC is represented by the Cabinet Secretary for Ministry of Investment, Trade and Industry (MITI), who is responsible for the general policy and strategic direction of the Corporation. KDC is domiciled in Kenya and operates from Uchumi House, Aga Khan Walk, in Nairobi.

b) Principal Activities

The principal activity of KDC is to promote sustainable socio-economic development by providing development finance, infrastructure finance, business support and advisory services to medium and large-scale industries, infrastructure projects and commercial undertakings in target sectors in Kenya and elsewhere. In fulfilling this mandate, the Corporation's will play a catalytic role through provision of long-term financing and other financial investments as well as business advisory services.

Vision
The leading financial partner that drives Kenya's progress and prosperity.

Mission
To catalyse sustainable socio-economic development by providing financial support and advisory services in select sectors.

Core Values
The core values are the basis upon which the Board, Management and Staff of KDC acts, will make decisions, plan and strategizes, and how the staff will interact with each other and with KDC's stakeholders and clients.

The core values of KDC are:

(i) Integrity - adhering to corporate and moral values, acting with honesty and fairness, and treating all staff and stakeholders with respect and within the law;
(ii) Agility – have the ability to be rapid, continuous, and systematic evolutionary adapt and innovative directed at gaining and maintaining competitive advantage.
(iii) Creativity - being original, flexible and more effective in creating value and growth in the market and society;
(iv) Oneness – working well together with deep-seated honesty trust in order to achieve our common goal.
(v) Customer focus - continuously improving and providing unusually high-quality attention and service to the needs of our customers.

c) Directors

The Directors who served the entity during the year/period were as follows:

Director	Position	Date Appointed/Left
Hon, Dr. Sakwa Bunyasi	Chairman	Appointed on 23rd June 2023
Norah Buyaki Ratemo	Director General	Appointed on 12th Dec 2022
Faith Mwaura		Appointed on 16th June 2023
Abubakar Hassan Abubakar	PS, SDIP	Appointed on 18th Jan 2023
Judith Kerich		Appointed on 17th May 2021
Sigee Koech		Appointed on 23rd June 2023
Caroline Muthoni Muigai		Appointed on 23rd June 2023
Benjamin Muketha		Appointed on 30th June 2023
Michael Kagika	Alternate to CS TNT	Appointed on 1st Aug 2022
Michael Nyachae	Chairman	Left on 23rd June 2023
Dr. Stephen Ikikii	Alternate to CS TNT	Left on 1st Aug 2022
Joseph Gikonyo	Alternate to PS SDT	Left on 18th Jan 2023
Mboche Waithaka		Left on 16th June 2023
Beatrice Gathirwa		Left on 23rd June 2023
Elius Elema Haro		Left on 23rd June 2023
Henry Maosa		Left on 23rd June 2023

d) Corporate Secretary

Mrs Grace Magunga
P.O. Box 12665-00100
Nairobi

e) Registered Office

Uchumi House
Aga Khan Walk
P.O. Box 12665-00100
Nairobi, KENYA

f) Corporate Headquarters

P.O. Box 12665-00100
Uchumi House
Aga Khan Walk
Nairobi, KENYA

g) Corporate Contacts

Telephone: (254) 020-2771000
E-mail: info@kdc.go.ke
Website: www.kdc.go.ke

h) Corporate Bankers

1. KCB Bank Limited
   Moi Avenue
   P.O. Box 60000
   City Square 00200
   Nairobi, Kenya

2. Co-operative Bank of Kenya
   Uchumi House
   Aga Khan Walk
   P.O Box 40310 – 00100
   Nairobi

3. NCBA Bank Limited
   Mara and Ragati Roads
   Upper Hill
   P.O Box 44599-00100
   Nairobi

4. National Bank of Kenya
   Harambee Avenue
   P.O Box 72866-00200
   Nairobi

5. Development Bank of Kenya Limited
   Finance House, Loita Street
   P.O. Box 30483-00100
   Nairobi

i) Independent Auditors

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

j) Principal Legal Adviser

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

3. The Board of Directors

Hon Dr. Sakwa Bunyasi
Chairman

Hon Dr. Bunyasi was appointed as the Non-Executive Chairman of the Corporation's Board on 23rd June 2023. He was born in 1946.

He holds a Doctorate in Economics and Public Policy from the George Washington University, USA, Master of Science (Agricultural Economics) from the University of Nairobi and BA (Economics) from the University of Nairobi.

He brings with him a wealth of experience having worked with the World Bank in various capacities as Principal Economist & Portfolio Manager in South Asia. He also worked with the African Development Bank as Principal Economist.
He was a Member of Parliament for ten (10) years (2013 – 2022) representing Nambale Constituency, Busia County.
He has served on Boards of various companies and is the immediate former Chairman, Kenya Vision 2030 Delivery Board.

Norah Ratemo
Director General

Ms. Norah Buyaki Ratemo is the Director General and an Executive Director of the Board. She was appointed on an acting capacity on 12th December 2022 and confirmed on 4th July 2023. She was born in 1983.

Ms. Ratemo holds a Master's degree in Business Administration Finance option from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a Bachelor of Commerce (B.Com.) Accounting option.
She is a Certified Public Accountant, CPA (K) and a Member of the Institute of Certified Public Accountants (ICPAK) and Association of Women Accountants in Kenya.

Ms. Ratemo's previous role at KDC was Director, Investments. She has over 13 years' experience in Credit Risk Management having worked at Ecobank Kenya as a Credit Analyst, and before then, was engaged as Assistant Manager, Securities and Documentation with Sidian bank.
Her specialties are in Risk Management, Credit Assessment, Accounting and Finance. She is also well versed in Strategic Leadership, Project Management, Corporate Governance, Communication, Teamwork and Client relations.

Faith Mwaura
Director

Ms Mwaura was appointed to the Board on 16th June 2023 as an Independent Director. Born 1984.
Faith is a graduate student at Heriot Watt University Scotland in Master of Science Real Estate Management and Development and a Bachelor of Commerce with Majors in Marketing and Business Development and Management from Daystar University. She is a Young African Leadership Initiative (YALI) Fellow. A member of Marketing Society of Kenya, Kenya National Chamber of Commerce and Industry, a Committee member of Kenya Property Developers Association and a Board Member of Care for A Child's Heart.

Faith Mwaura is a Passionate International Award-Winning Entrepreneur with a keen interest in Developing Superior Affordable Housing and Communities. She was awarded the Best Female Real Estate Developer by KNCCI Women in Business 2019, Best Woman in Business Excellence by the Women Economic Forum in Amsterdam 2018 among other achievements.
She is the Managing Director at IHL a position she has held for the past 10 years and has spearheaded its dynamic growth from a small agency to a medium sized company. She has over Fifteen Years' Experience in Real Estate and is very deliberate to make a positive impact in everything she does and adding value.

Abubakar H. Abubakar

PS, State Department for Investment Promotion, Ministry of Investments, Trade & Industry

Mr. Abubakar was appointed to the KDC Board on 18th January 2023 as a Non-Executive Director. He was born in 1980.

Mr. Abubakar holds Master's degree in Financial Services Law (Project ongoing), Master's degree in Business Administration (Strategic Management) and Bachelor's Degree in Law all from the University of Nairobi. He is an Advocate of the High Court of Kenya, Certified Public Accountant, Certified Public Secretary, Certified Fraud Examiner, Certified Investment & Financial Analysts and holds a Certification in the Management of Banking Risks. Mr. Abubakar is a member of Law Society of Kenya (LSK), Institute of Certified Public Secretaries of Kenya (ICPSK), and Institute of Certified, Investment and Financial Analysts (ICIFA) professional bodies.

Prior to his appointment as the Principal Secretary in December 2022, he was the Director Market Operations at Capital Market Authority.

Sigee Koech
Director

Ms. Sigee was appointed to the Board of KDC on 23rd June 2023 as a Non- Executive Director. She is the Chair of the HR, Governance and General-Purpose Committee. She was born in 1984.

Ms. Sigee is an advocate of the High Court of Kenya of 11 years standing holding a Bachelor of Laws (LL. B Upper Class Hons) from Moi University and a Master of Laws (LL.M) (International Laws) from the University of Pittsburgh, USA.

She is a seasoned legal professional with over 14 years of experience in practice. She is a Partner in the law firm of Dentons Hamilton Harrison & Mathews Advocates specializing in banking and finance and has been ranked by various international legal directories as one of Kenya's leading lawyers in banking and finance law. Ms. Sigee also significant experience in real estate/conveyancing law where she advices real estate developers and in general corporate commercial law with a bias in business set-up in Kenya and advising on continuing corporate governance matters.

In addition to her legal practice, she's passionate about education and ESG matters. She has served as a director of Kenya Hotel Properties Limited and is a member of the Law Society of Kenya.

Benjamin Muketha
Director

Mr. Muketha was appointed to the Board of KDC on 30th June 2023 as a Non-Executive Director. He Chairs the Audit and Risk Committee. He was born in 1965

He holds master's degree in business administration from Strathmore University and bachelor's degree from University of Nairobi. He is also accredited member of Centre for Corporate Governance in Kenya

Mr. Muketha is passionate about business growth and improving lives. He is currently leading projects in agriculture and education sectors.

Mr. Muketha is a commercial banking executive with over 30 years' experience. He has worked in leading commercial banks in Kenya and the Africa region. He brings wealth of knowledge and experience in leadership, business development, credit risk management and information technology. Muketha is credited with leading successful initiatives in business growth and operational transformation across several countries in Africa.

Mr. Muketha has served on the boards of Egerton University Council and Meru County microfinance Corporation. He is currently the Managing Director / CEO of a regional bank based in Kigali Rwanda.

Judith Kerich

Director

Ms Kerich was appointed a director to KDC Board on 17th May 2021 as a Non-Executive Director. She Chairs the Finance & Investments Committee. She was born in 1974.

Ms Kerich, holds Master's degree in Public Policy and Management from Strathmore Business School, a Masters of Business Administration Strategic Management both from Strathmore Business School and Bachelor of Commerce degree from Catholic University of Eastern Africa (CUEA)

She has a wide experience spanning over 25 years in Public and Private Sector. She is the Deputy Project Coordinator (Strategy and Policy Guidance) with World Bank, Kenya, providing strategic guidance, insights and perspectives at senior leadership level. Previously she has served as Director Corporate Service with National Transport & Safety Authority, Manager Human Resources Services, Kenya Airport Authority and Human Resources Officer at Jomo Kenyatta International Airport.

She also serves at executive board committees, oversight committees and senior leadership teams working in complex multi-stakeholder environment with accountability the public sector the Government of Kenya, private corporations, NGOs and communities.

Caroline Muigai

Director

Ms. Muigai was appointed to the Board of KDC on 23rd June 2023 as a Non- Executive Director. She was born in 1976.

She holds an MA in Educational Leadership & Performance Management from Middlesex University, London. BSc in International Business Administration, USIU, Nairobi

Ms. Muigai has over 20 years' experience in Insurance, real Estate & Education. She serves as a Marketing Director at Muigai Commercial Agencies Ltd, a renowned real estate company in Kenya with Branches in Nairobi and Nakuru. She manages Carol Academy & Junior Secondary School together with Rongai Teachers Training College. She is in charge of all institutions operations and has perfected her skills in leadership, policy formulation, budget and staff administration among other skills.

Michael Kagika

Alternate Director to CS National Treasury & Planning

Mr. Kagika was appointed as a Non-Executive Director to KDC Board on 1st August 2022.He was born in 1969.

He holds a Bachelor's Degree in Public Administration, Master in Public Administration degree and an array of Diplomas and certifications in Management from both local and foreign institutions including Kenya School of Government (Kabete), Entrepreneurial Development Institute of India (India), East and Southern African Management Institute (ESAMI) Tanzania, Civil Defence Academy (Singapore) and Centre of Excellence for Stability Police Units (Italy).

He is a certified Trustee having accumulated over thirty (30) years of progressive experience in leadership and management in the Public Service. His tour of duty has seen him work as a District Commissioner (DC), Chief Executive Officer of the Rent Tribunal, Administrator in the Ministry of Public Works and Housing, Social Secretary and Administrator at both State House and the Cabinet Office and Chief Executive Officer and Secretary of the Constitutional Power of Mercy Advisory Committee.

In the year 2017, Mr. Kagika was honoured with the award of the Order of the Elder of Burning Spear (EBS) in recognition of his distinguished public service.

Grace Magunga

Corporate secretary

Mrs. Grace Magunga is the Director Legal Services and Corporation Secretary. She was born in 1965.

Mrs. Magunga holds a Master of Science degree, Human Resource Management from Jomo Kenyatta University of Agriculture and Technology and a Bachelor of Law degree from the University of Nairobi. She has a Diploma in Legal Practice and is a Certified Secretary (CS) and a member of ICS. She is the Legal advisor to the Corporation and has vast experience spanning over 25 years in Corporate & Commercial law, Property law, Employment law, Litigation & dispute Resolution and Governance. She serves as Company Secretary in various Board.

4. Key Management Team

Norah Ratemo

Director General

Ms. Norah Ratemo is the Director General. She was appointed on an acting capacity on 12th December 2022 and confirmed on 4th July 2023.

Ms. Ratemo holds a Master's degree in Business Administration Finance option from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a Bachelor of Commerce (B.Com.) Accounting option.

She is a Certified Public Accountant, CPA (K) and a Member of the Institute of Certified Public Accountants (ICPAK) and Association of Women Accountants in Kenya.

Grace Magunga

Company Secretary/Director Legal Service

Mrs. Grace Magunga is the Director Legal Services and Corporation Secretary.
Mrs. Magunga holds a Master of Science degree, Human Resource Management from Jomo Kenyatta University of Agriculture and Technology and a Bachelor of Law degree from the University of Nairobi. She has a Diploma in Legal Practice and is a Certified Public Secretary (CPS K).

Faith Nene

Director Corporate Services

Ms. Faith Nene is the Director Corporate Services. Ms. Nene holds a Master of Science Degree in Human Resource Management from the University of Manchester, UK and a Bachelor of Arts degree from the University of Nairobi. She is a certified Executive Coach from the Academy of Executive Coaching, UK. She is a member of the Institute of Human Resource Management (IHRM) and the Kenya Institute of Management

Judith Omachar

Ag. Director Investments

Ms. Judith Omachar is Ag Director Investments. Mrs Omachar holds a Bachelor of Commerce degree (Accounting Option) from the University of Nairobi and is a Certified Public Accountant (CPA-K) and is a member of ICPAK.

Kennedy Wanderi

Deputy Director, Finance and Accounts

Mr. Kennedy M. Wanderi is the Deputy Director, Finance and Accounts.
Mr. Kennedy holds a Master of Business Administration degree in Finance and Banking, and a Bachelor of Business Management degree from Moi University. He is a Certified Public Accountant.

Mbatha Mbithi

Deputy Director Partnership & Resource Mobilization.

Ms. Mbithi is an alumnus of the Strathmore/IESE Business Schools Advanced Management Program 2013. She holds a Master in Business Administration degree in Strategic Management from Moi University and a Bachelor of Science Degree in International Business Administration from the United States International University. Mbatha is a member of the Kenya Institute of Management and the Chartered Institute of Marketer.

Caroline Misoi

Deputy director, Human Resource and Administration.

Mrs. Misoi holds an MBA from the University of Salford in the UK, a Bachelor of Arts degree in Sociology and Literature from Kenyatta University and a Diploma in PR and Personnel Management. She is a full member of the Institute of Human Resource Management (IHRM) and Kenya Institute of Management (KIM).

Robert Chesire

Ag. Deputy Director Business Development and Advisory

Mr. Robert Chesire holds a Bachelor of Arts degree in Mathematics and Economics from the University of Nairobi.

Richard Limo

Deputy Director ICT.

Mr. Limo holds an M.Sc. Degree in Information Technology (Business Intelligence) from Strathmore University and a B.Sc. Degree in Information Technology from Jomo Kenyatta University of Agriculture and Technology (JKUAT). He is a professional member at ICTA, CSK and ISACA

Daniel Muimi

Ag Deputy Director, Investments Appraisal & Administration.

Mr. Muimi holds a Bachelor of Arts degree (Economics and Sociology) from the University of Nairobi and is a Certified Public Accountant (CPA-K) and also a Certified Financial Analyst**.**

Herman Gacugi

Manager, Risk Management and Compliance.

Mr. Gacugi holds a Master of Science degree in Information Communications Technology (ICT) from Jomo Kenyatta University of Science and Technology (JKUAT) and a Bachelor of Commerce degree in accounting from Egerton University, he is an Alumni of Strathmore Business School Senior leadership program. He is also a Certified Public Accountant (CPAK) and a Certified Information Systems Auditor (CISA).

Dominic Ndewa

Deputy Director, Strategy, Planning and Performance Management.

Mr. Ndewa holds a Master's Degree in Economic Policy Management and a Bachelor of Arts Degree in Economics all of them from the University of Nairobi. He is also a Certified Public Accountant (CPAK) and a Certified Investments and Financial Analysts (CIFA) and he is a member of ICPAK and ICIFA. Mr. Ndewa has attended many managerial short-term courses both locally and internationally.

Rose Karimi

Ag. Manager, Internal Audit

Ms. Karimi holds a Master of Science degree in Finance and a Bachelor of Art degree in Economics and Sociology from the University of Nairobi. She is a Certified Public Accountant (CPA K) and a member of ISACA Kenya and a member of the Institute of Certified Public Accountants (ICPAK).

Erastus Njoroge

Deputy director, Portfolio management

Mr. Erastus holds a Master's degree in Financial Economics as well as a Bachelor's Degree with specialization in Mathematics and Economics. He is a member of the Economist Association of Kenya.

John Karia

Deputy Director Legal Services

Mr. Karia is an Advocate of the High Court of Kenya and a Certified Secretary. He is an active Member of the Law Society of Kenya, the Institute of Certified Public Secretaries of Kenya and an Associate Member of the Chartered Institute of Arbitrators (Kenya Branch). He holds a Master's degree in Law (LLM) from the University of Exeter (UK), a Postgraduate Diploma in Law from the Kenya School of Law and a Bachelor of Laws degree (LLB) from University of Nairobi.

Anne Gitau

Deputy Director Debt Management.

She is a holder of a Bachelor of Commerce Degree (Accounting Option) from the University of Nairobi and is a Certified Public Accountant and Secretary, CPA-K, CPS– K) and is a member of ICPAK.

Patricia Gachugi

Manager, Supply Chain Management

Ms. Patricia N. Gachungi is the Manager, Supply Chain Management
Ms. Patricia holds a Master of Science Degree in Procurement and Logistics from the Jomo Kenyatta University of Science and Technology (JKUAT) and a Bachelor of Commerce Degree, Business Administration Option from Strathmore University. She also holds Graduate Diploma from The Chartered Institute of Procurement and Supply, United Kingdom. She is a Fellow of the Chartered Institute of Procurement and Supply (FCIPS-UK) and a Licensed Member of the Kenya Institute of Supplies Management (MKISM).

5. Chairman's Statement

i. Macroeconomics dynamics

Just as the world appeared to be returning to normalcy following two years of a global pandemic, 2022 presented itself as a year beset of challenges ranging from economic, market and geopolitical headwinds. Russia-Ukraine war didn't help either. The war, brought forth significant volatility in global markets characterized with supply chain disruptions, inflationary pressures and growing concerns about the slowing global economy. This generally did not spare the operations of KDC either, especially manufacturing and tourism sectors that were adversely affected.

ii. Political predictability

Also affecting operating local environment was the just concluded August 8th 2022 general election. Though highly considered peaceful, pre and post-election fear of turmoil led to a slow down on investment – a common strategy used by investors as they observe political environment. Impact of the above environment had a raft of impact to the Kenyan economy like GDP deceleration from 7.6% in June 22 to a low of 4.8% as at June 2023; decline in loan update and worsening of portfolio performance. At the operational level, the uptake of investments declined that led to KDC disbursing a total of Ksh. 1.07 billion in 22/23 FY as compared to Ksh. 1.4 billion in 21/22 FY and total loan book increased at a decreasing rate to Ksh. 5.7 billion as compared to 21/22 FY growth rate. The revenues also declined from Ksh. 2.6 billion in 22/22 FY to Ksh. 1.8 billion in 22/23 FY.

iii. Governance changes

22/23 was coupled by Governance changes at both the Leadership and Board of Directors levels. A statement of applause to Mr. Huka for providing strong leadership during the transition. With the recent appointment of Ms. Norah Ratemo as the Director General, the leadership team no doubt is expected to propel KDC to a different level within the next two years. Towards broadening the diversity of the Board's skills and experience for comprehensive oversight and support to the leadership team, the Government made changes in the Board representation; a change that saw appointment of myself as the Chair and a very qualified team of eight as Board Members. Going forward, the Board has placed huge weight on enhancing our succession planning approaches to ensure stability and sustainability of KDC in the long end.

iv. Shareholders

In pursuit of the envisioned social economic impact through KDC investments, and in realization of Bottom up economic plan, KDC as a policy too of the Government, the Board is currently re-evaluating post-merger business model with a view of ensuring that a model that is fit for purpose is developed and actioned. Suffice it to say, KDC is realigning its thinking in tune with the "BETA" Plan. The business model and KDC 2.0 Strategic Plan is expected to align to the National Government policy direction.

The current business operating environment is challenging and looks set to be dominated by uncertainty in the near term. Government expectations on us as a strategic driver of both foreign and domestic investment can't be underrated. I am comfortable that we are well positioned to successfully navigate these expectations in our quest to being a trusted Government policy tool in matters of Investment. I am confident about the strategic choices we have made and that we are well on the path to becoming a truly purpose-driven business unit that drives long term benefits for the common mwananchi. The envisaged business model and the second Strategic Plan are expected to boost implementation of the KDC core business of investment with the aim of achieving the National Government aspiration of food security, reduced imports and increased quality exports.

v. Stakeholder Management

KDC places a great premium on its stakeholder's engagement. To this end KDC for the last two years has established various partnership aimed at boosting implementation of its mandate. This collaborative and proactive relationship with stakeholders has enabled the Corporation secure funding from World Bank aimed a de risking the livestock sector in the name De Risking Inclusion and Value Enhancement (DRIVE)

In conclusion, the last few months being the chair of this impeccable entity has been fulfilling. I am grateful to my colleagues on the Board for their guidance and support. I also wish to thank the leadership team and staff for their dedication in serving this organization.

6. Report of The Director General

At the onset, I would like to thank the Board for its confidence in appointing me as the Director General. It is an honour and a privilege to be leading an organisation I have been part of for many years.

I. Macro-economic Environment

The past year brought mixed fortunes to many of us. While the end of the pandemic injected optimism and an encouraging outlook, the subsequent geopolitical tensions marred the global economic environment, spiking inflation globally, and resulting in rapid monetary policy tightening and a widespread cost-of-living crisis. As expected, economic growth projections have been revised downwards.

In addition, we have seen rising risk aversion within global financial markets. This has had a direct impact on financial flows into emerging markets and, in our instance, the Kenyan market, which is our operating environment as a social economic impact entity. At KDC, we have tried to insulate our operations against the challenging business environment by making certain key decisions. We refreshed our 2021/24 strategy, with consequent tweaks being affected, where necessary, to anticipate difficulties in our chosen battlegrounds.
At the time of writing this, there is heightened uncertainty in global banking markets with the collapse of Silicon Valley Bank and Signature Bank in the US as well as UBS's Ggovernment backed takeover of Credit Suisse in Switzerland. Central Banks response have been swift and cohesive and whilst we continue to monitor the situation closely, we currently don't envisage systemic risk to the Kenyan banking sector other than capital markets general aversion to emerging markets. It is important to note that the Kenya financial sector remains liquid and well capitalised with levels well in excess of the regulatory minimums and significantly higher than the 2008 global financial crisis.

II. Financial Performance

As a result of the tough operating environment, increased global meltdown due to the Ukraine – Russia conflict and the effect of 2022 General elections, operating income grew slightly by 6%to close at Kshs 1.8 billion up from Kshs 1.7 billion in the prior year. On the other hand, operating expenses reduced significantly by 22% from Ksh1.63 billion incurred during the previous period to Ksh1.27 billion incurred during the period under review. On a more positive note, loan loss provision declined by 54% from Kshs 684 million incurred in FY 2021-22 to Kshs 319 million in FY 2022-23. Although pre-tax profit declined from Kshs.1.0 billion in FY 2021- 22 to Kshs.539 million in FY 2022-23, profit from operation adjusted for revaluation gains increased from Ksh98million to Ksh520million. Total assets slightly reduced from Kshs. 37.23

billion in 2022 to Kshs. 37.08 billion mainly due to lower revaluation of equity investments. As a sign of confidence in its continued financial performance the Corporation, for the second time in a row paid a dividend to the National Treasury.

III. Loan Portfolio

KDC loan portfolio increased by 11% having closed the year at Kshs 6.7 billion up from Kshs6.0 billion as at 30th June 2022. Loan disbursement decreased during the year under review by 2% having disbursed Kshs 1.0 billion as at 30th June 2023 as compared to Kshs.1.4 billion disbursed in the previous period. Portfolio at risk generally improved by 19% from 64% as at 30th June 2022 to 52% as at 30th June 2023. During the year, the organization made significant interventions in health, manufacturing, tourism, post-harvest management, mining and transport sectors. Efforts have been revamped to penetrate sectors not covered including blue economy and climate change.

IV. Redefining our purpose

KDC has been on an unrelenting strategic journey towards being a visible social economic impact engine – we have completed the first phase, which was focused on the bricks and mortar of our business. The current phase is about organisational health, which is underpinned by mwananchi-led purpose.
To this end, we have undertaken an extensive collective effort to align our mandate with the Government Bottom up economic transformation approach. The process has resulted on the need to review our Business Model so as to better define our approach on BETA intervention in line with our mandate. This new strategic approach can be summarized using fivefold strategy namely;

- Uplift common mwananchi directly and indirectly through targeted sectoral investment;
- Open up emerging investment areas like e-mobility;
- Increase foreign direct investment;
- Reduce imports, increase exports and enhance food security,
- Enhance investment technical capacity for sustainable enterprises through business advisory products

V. Stakeholder engagements

Throughout the year, we continued to engage external stakeholders who are of strategic importance to our business. These engagements are critical for strengthening existing bonds and creating new ones. Given the rising social pressures that I referred to earlier, it is becoming more critical for businesses, governments and civil society to come together in order to build inclusive and sustainable solutions to the challenges that we collectively face. During the last one year, KDC signed three MOUs with key players including Capital Market Authority, Kenya National Chamber of Commerce and Industry and Kakamega County Government.

VI. Socio economic impact

The broader mandate of the Corporation envisages that by playing its catalytic role in promoting industrial growth socio-economic impact will be generated. In the year under review, the Corporation through its portfolio of investments contributed Kshs. 381.3 billion to the Gross Domestic Product and generated Kshs. 76.3 billion in taxes to the National Government. Further, 19,200 jobs were created and sustained (total jobs created and sustained by the entire portfolio stands at 85,100), earned USD 50.5 million from exports, and processed 781,000 MT of fresh produce thereby earning farmers Kshs. 2.3 billion and cutting down of post-harvest losses.

VII. Conclusion

In 2023/24, we look forward to driving performance and customer primacy and building our social economic sensitive organisation. The work undertaken since 2021 July against our strategy has ensured that we have a solid foundation in place to accelerate strategy execution and performance, notwithstanding the more challenging operating environment, and to build our social relevance as an organisation. With a strong and experienced leadership team and an engaged colleague base, I am confident that we are well-placed to become a Development finance institution that serves our customers and drives sustainable growth in our beautiful nation Kenya.

I would like to thank both Mr. Chris Huka for his stewardship of the organisation during his time as the interim DG his support during my transition into the current position. I thank the Board, leadership team, colleagues, our customers, our shareholders and other key stakeholders for their ongoing support and look forward to further engagements throughout the year.

Thanks, and God bless

Norah Ratemo

DIRECTOR GENERAL

KENYA DEVELOPMENT CORPORATION

7. Statement of Performance against Predetermined Objectives for FY 2022/23

The Public Finance Management Act, 2012 Section 81 Subsection 2 (f) requires the accounting officer to include in the Financial Statement, a statement of the national government entity's performance against predetermined objectives. KDC has 5 strategic pillars within the current Strategic Plan for the FY 2021-22 - FY 2023-24. These strategic pillars are as follows:

- Pillar 1 : Financial Performance
- Pillar 2 : Capital Stewardship
- Pillar 3 : Operational Excellence
- Pillar 4 : Partnerships Engagement
- Pillar 5 : Organizational Cap ability

Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Corporation achieved its performance targets set for the FY 2022-2023 period for its 5 strategic pillars, as indicated in the diagram below:

KRA	OBJECTIVE	KEY PERFORMANCE INDICATOR	ACTIVITIES	ACHIEVEMENT
Financial performance	Diversify and grow sustainable revenue streams	Generate 1.75B revenue	• Effective revenue generation	Achieved Kshs 1.8 B
		Disburse Kshs 2.85 B	• Targeted lead generation • Effective appraisal • Adherence to customer promise	Disbursed Kshs 1.07B
	Develop prudent cost management approach	Procurement done within market prices.	• Continuous market survey	Market survey done
		Cost management framework	• Develop cost management framework	Developed
		Pre-Tax Profits of Kshs 0.15B	• Effective operating expense management	Achieved Kshs 0.54B
		Dividend TNT – Kshs 1 Million	• Issued Dividends to TNT	Issued Kshs 1Miliion to TNT
		Return on Investment of 1%	• Enhance shareholders value	Achieved ROI of 1.4%
	Mobilize financial resource	Resource Mobilize 5B	• KDC sectoral intervention-oriented resource mobilization	Raised Kshs 4.4 B

	Enhance effective portfolio management	PAR of 55%	• Prudently manage loan and equity portfolio	Attained PAR of 52%
Capital stewardship	Create and maintain quality assets	3 Turnaround strategies for Investee companies	• Develop turnaround strategies	Developed strategies for 7 investee companies
Operational excellence	Adopt efficient and effective processes	Brand Audit report	• Engage a brand consultant	Brand Audit report
	Embrace effective ERM	Enterprise risk management framework	• Engage a consultant to guide the process	ERM framework developed
	Improve technology capabilities and infrastructure	System gap analysis closure plan.	• Implement gap analysis closure plan	System gap reported closed
Partnerships Engagement	Establish institutional partnerships and collaborations	3 MoUs with strategic partners	• Establish key strategic partners	4 MoUs done
Organizational Capability	Attract, develop, and retain staff	Competency based framework	• Develop Competency based framework	Competency based framework approved
		100% 22/23 Competency framework implementation level	• Implement competency as planned for 22/24 FY	100% implemented
	Embrace research, creativity, and innovation culture	4 research reports	• Undertake research in 4 sectors of interest to guide corporations' approach	3 research reports done

8. Corporate Governance Statement

i) Introduction

KDC has adopted high standards and applies strict rules of conduct, based on the best corporate practices. As part of this commitment, the Board of Directors adheres to good corporate governance by embracing the following principles:

a) Observing high standards of ethical and moral behaviour;

b) Upholding personal integrity and honesty;

c) Acting in the best interests of KDC in compliance with the Constitution, and all applicable laws;

d) Promoting industrial and economic growth in Kenya fairly and responsibly;

e) Recognizing the legitimate interests of all stakeholders through participation in policy making, resource allocation and access to public funds; and

f) Ensuring that KDC acts as a good corporate citizen.

Board members have committed to act in the best interest of the organization and uphold their fiduciary responsibilities and duty of care. They are expected to act honestly and in good faith so as to create a culture built on principles of integrity, accountability and transparency. As a state Corporation, KDC regards good corporate governance a primary tenet of good performance. In this regard, our operations are undertaken in cognizance of regulations and statutory requirements necessary to put us in good stead with our stakeholders. Our operations are driven by the desire to maximize shareholder value while safeguarding the rights and interests of all stakeholders. The culture of good corporate governance permeates all levels of the Corporation starting with the Board of Directors. This has led to the continued success of the Corporation. Board of Directors have approved a Board charter that defines their roles and responsibilities. Board members also sign Board Code of Conduct and Ethics form which affirm their commitment to upholding high ethics standards.

ii) Board of Directors

The Board as the custodian of the Corporation's resources recognizes its responsibility of providing leadership, strategic direction and control and is accountable to all stakeholders. The Board oversees risk management, is responsible for investment decisions and ensures compliance with relevant laws and regulations. The Board has adopted and continues to adhere to Mwongozo, Code of Governance for State Corporations so as to deliver value to Kenyans in a transparent and accountable manner.

iii) Board Appointments and Composition

The KDC Board is diverse in its composition, independent but flexible, pragmatic, objective and focused on balanced and sustainable performance of the organization.

a. **Size of the Board:** The Board has a minimum of seven (7) members and a maximum of nine (9) members.

b. **Board Composition:** The Board ensures that:

   (i) Its composition complies with requirements in the Constitution of Kenya and any applicable legislation;

   (ii) Its members can act independently;

   (iii) Each Board Member understands the broad outline of the organization's policies;

   (iv) Each Board Member is in good standing professionally and has sufficient expertise to perform his or her role as a Board member; and

   (v) At least one Member is a financial expert, meaning that he or she has the necessary qualifications and expertise in financial management and accounting and is a bonafide member of a professional body regulating the Accountancy profession.

c. **Appointment of Board Members:** The Cabinet Secretary, Investment, Trade and Industry appoints Board Members. The Chairman is appointed by the president of the republic. Every appointment is done by name and by notice in the Kenya Gazette. Appointments cease if a member:

   (i) Serves the appointing authority with a written notice of resignation; or

   (ii) Is absent, without the permission of the Chairperson, from three consecutive meetings; or

   (iii) Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding twenty thousand shillings; or

(iv) Is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board; or

(v) Conducts himself in a manner deemed by the appointing authority to be inconsistent with membership of the Board.

(vi) Any removal of a Board Member under (i) above, shall be through formal revocation.

(vii) The Corporation Secretary ensures that a record of the appointment letters, gazette notice and written acceptance by the Board member are kept in the personal file of the Board member.

d. **Independence of Board Members:** All Board members, including those nominated by stakeholders recognize that they owe their duties to KDC and not their nominating stakeholder. At least one third of the Board members are independent upon appointment and maintain their independence during their term of service on the Board.

e. **Term Limits:** Board Members hold office for a period not exceeding three (3) years, and are eligible for reappointment for one more term not exceeding three (3) years. A Board member may be appointed for a cumulative term not exceeding six (6) years. The renewal of a Board Member's tenure for a second term is subject to an acceptable evaluation as determined during Board performance evaluations.

f. **Resignation from the Board:** A Board Member may resign at any time by giving notice, in writing, to the appointing authority, copied to the Chairperson of the Board and the CEO of KDC. The resignation shall take effect upon receipt of notice by the appointing authority or at any later time specified therein; and unless otherwise specified in the notice, the acceptance of such resignation shall not be necessary to make it effective.

g. **Board Meetings:** The Board meets quarterly, with additional meetings convened as and when necessary after obtaining the necessary approvals. The established Board Committees hold meetings quarterly with special meetings convened as and when necessary to effectively discharge their functions. The Board attendance during the financial year is as shown below;

BOARD /COMMITTEE MEETINGS IN THE FINANCIAL YEAR 2022/2023 ATTENDANCE				
NAME	**BOARD**	**HUMAN RESOURCE GOVERNANCE**	**AUDIT/RISK COMMITTEE**	**FINANCE &INVESTMENTS**
Michael Nyachae	19/19	NIL	NIL	NIL
Mboche Waithaka	19/19	5/5	NIL	3/7
Beatrice Gathirwa	19/19	NIL	5/9	4/7
Henry Maosa	19/19	1/5	3/9	3/7
Joseph Gikonyo	8/19	NIL	3/9	5/7
Ilius Elema	18/19	5/5	7/9	NIL
Judith Kerich	17/19	4/5	NIL	3/7
Dr.Stephen Ikikii	3/19	NIL	NIL	NIL
Christopher Huka	6/19	2/5	1/9	3/7
George Ombua	7/19	1/5	NIL	NIL
Michael Kagika	14/19	NIL	9/9	7/7
Norah Ratemo	8/19	NIL	NIL	3/7
Abubakar Hassan/ CS Representative	10/19	NIL	2/9	2/7
TOTAL MEETINGS	**19**	**5**	**9**	**7**

h. **Board Evaluation:** The Board undertakes annual self-assessment and evaluation under the guidance of the State Corporations Advisory Committee (SCAC) in order to improve the internal governance of the Board and its Committees. The Board undertook the Self Board Evaluation for the Financial Year 2022/2023 and attained a Corporate Board Performance Score of 93.20%. The Board has put in place a performance improvement program to ensure continuous improvement in performance.

i. **Board Training and Induction:** New Board members are taken through an induction program. Board trainings are incorporated as part of the Board work and undertaken as and when scheduled.

j. **Committees of the Board:** To effectively discharge its mandate, the Board has established the following three (3) Committees with specific terms of reference set out in each Committee's Charter.

Board Committees

i) Human Resource, Governance and General Purposes Committee

The Human Resource, Governance and General Purposes Committee addresses issues pertaining to staff welfare, corporate communications, governance and stakeholder management. Specifically, the responsibilities of the Committee are to review and make recommendations to the Board on the appropriate Corporation structure, HR plan and policies, oversee and make recommendations to the Board on succession planning and related development needs and plans, regularly review the appropriateness and relevance of the remuneration policy to ensure that the policies and practices applicable to all staff facilitate the recruitment, retention and attraction of talent with the required calibre and skills sets, receive information on internal and external trends in remuneration and benefits, including where necessary commissioning any reports or surveys aimed at establishing Corporation's market position or exploring particular aspects of remuneration, review and make recommendations to the Board appropriate corporate governance policies for implementation, review and make appropriate recommendations on the Corporation's and the Boards Code of Ethics and Conduct to the Board and developing, reviewing and monitoring effective implementation of the Corporations communications strategy.

ii) Finance and Investment Committee

The Finance & Investment Committee is responsible for overseeing the investment of Corporation's funds, formulate investment policies, strategies and assist the Board in matters pertaining to finance and investments, review interim financial reports and other functions as may be delegated by the Board. The Committee exercises oversight over implementation of the investment's strategy. Specifically, the responsibilities of the Committee are to recommend policies that maintain and improve the financial health and integrity of the Corporation, review and recommend a long-range financial plan for the Corporation, review and recommend annual operating and capital budgets consistent with the long-range financial plan and policies, review the financial aspects of major proposed transactions, new products and services, as well as proposals to discontinue products or services, and making action recommendations to the Board, monitor the financial performance of the Corporation as a whole and its major subsidiary organizations or business lines against approved budgets, long-term trends, and industry benchmarks and oversee the Corporation's integration planning process for investment, acquisition, enterprise services, and joint venture and divestiture transactions.

iii) Board Risk and Audit Committee

The Committee assists the Board in fulfilling its oversight responsibility relating to the integrity of the Corporation's financial statements, financial reporting process, systems of accounting and financial controls. The Committee ensures that the Corporation has effective systems and processes of accountability and risk management. Specifically, the responsibilities of the Committee are the examination and evaluation of adequacy and effectiveness of internal control systems on various operations and activities of the Corporation, the review of the management and financial information systems, including the electronic information system, the review of the accuracy and reliability of the Corporation's accounting records and financial reports and the evaluation of adherence to legal and regulatory requirements and to the approved Corporation's policies and procedures.

Board Committees

The current Board Committees and membership are as per below;

Name of Committee	Members	Mandate
Investments and Strategy Committee	1. Judith Kerich – Chairperson 2. Caroline Muigai 3. National Treasury Representative 4. PS Investments/Alternate 5. Director General	Loan/equity approvals Approvals from MIC Strategy Report Partnerships & Resource Mobilization Divestiture
Portfolio, Risk Management Committee	1. Faith Mwaura – Chairperson 2. Sigee Koech 3. Benjamin Muketha 4. PS Investments/Alternate 5. Director General	Portfolio monitoring /Equity Reports Partial Settlements/Write offs Portfolio Restructure Property Management Reports Debt Management reports Risk Reports Legal Reports
Finance, HR, Administration and Governance Committee	1. Sigee Koech– Chairperson 2. Faith Mwaura 3. PS Investments/Alternate 4. National Treasury Rep 5. Director General	Human Resource and Admin Staff Recruitments Corporate Communication Governance Management Accounts/ Financial Statements Procurement ICT Report

Audit Committee	1. Benjamin Muketha- Chairperson 2. Caroline Muigai 3. National Treasury Representative 4. PS Investments/Alternate	Audit

9. Management Discussion and Analysis

I. Introduction

The Kenya Development Corporation was incorporated on 20th November 2020 to merge the operations of ICDC, TFC and IDB Capital and it started operations on 1st July 2021. The Corporation has therefore operated for a full financial year and has prepared its annual report and financial statements for the period 2022-2023 for submission to the Office of the Auditor General for audit.

II. Summary of the financial performance of KDC for the period ended 30th June, 2023

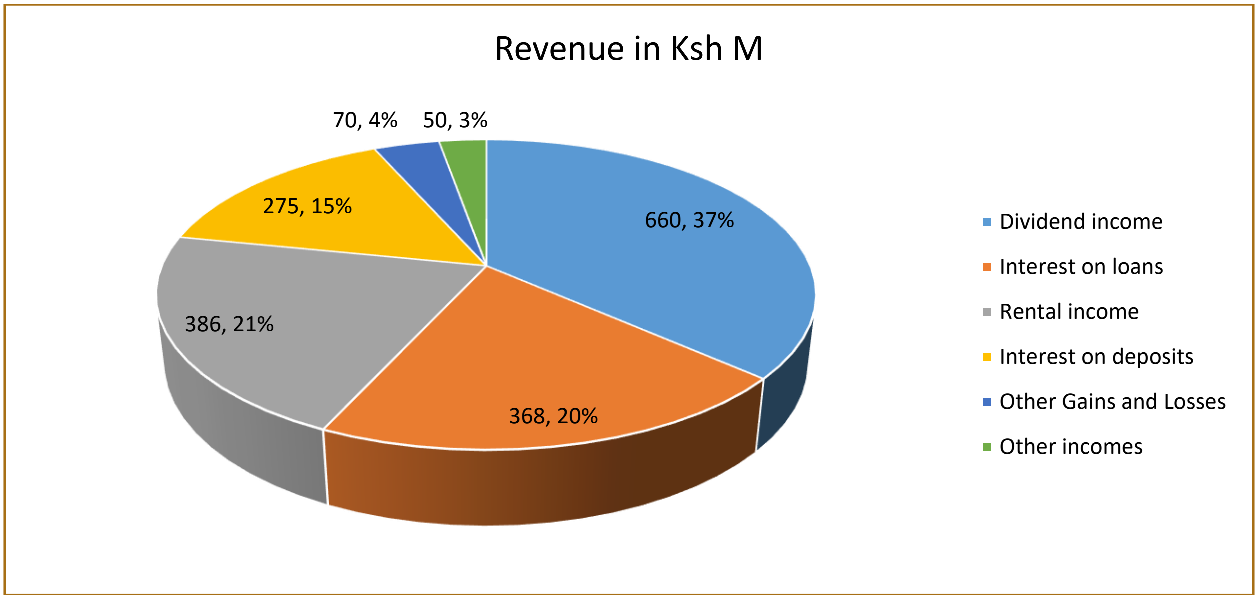
1) Statement of Comprehensive Income

The Corporation realized a gross income of Ksh1.8 billion during the financial period 2022-2023 against a budget of Ksh1.76 billion and compared to Ksh2.6billion realized during the previous period. The decline in revenue from the previous period is attributed mainly to lower unrealized gains on revaluation of investment property which amounted to Kshs.18m during the period under review compared to Ksh906m realized during the previous period. In 2021-22 the Corporation revalued assets which had not been valued for a long time hence the significantly higher value uplift realized then.

i) Revenue

The breakdown of the revenue from the various sources is as indicated below.

Revenue Source	Actual 2022-23	Budget 2022-23	Actual 2021-22	% current FY
	Ksh	Ksh	Ksh	
Dividend income	660,418,748	632,616,545	662,849,493	37%
Interest on loans	367,979,775	352,591,125	360,526,028	20%
Rental income	385,597,396	391,624,233	408,295,409	21%
Interest on deposits	274,959,683	183,787,457	202,410,097	15%
Other Gains and Losses	69,588,682	66,685,000	958,075,754	4%
Other incomes	50,084,844	132,294,774	39,988,579	3%
Total Income	**1,808,629,127**	**1,759,599,133**	**2,632,145,360**	**100%**

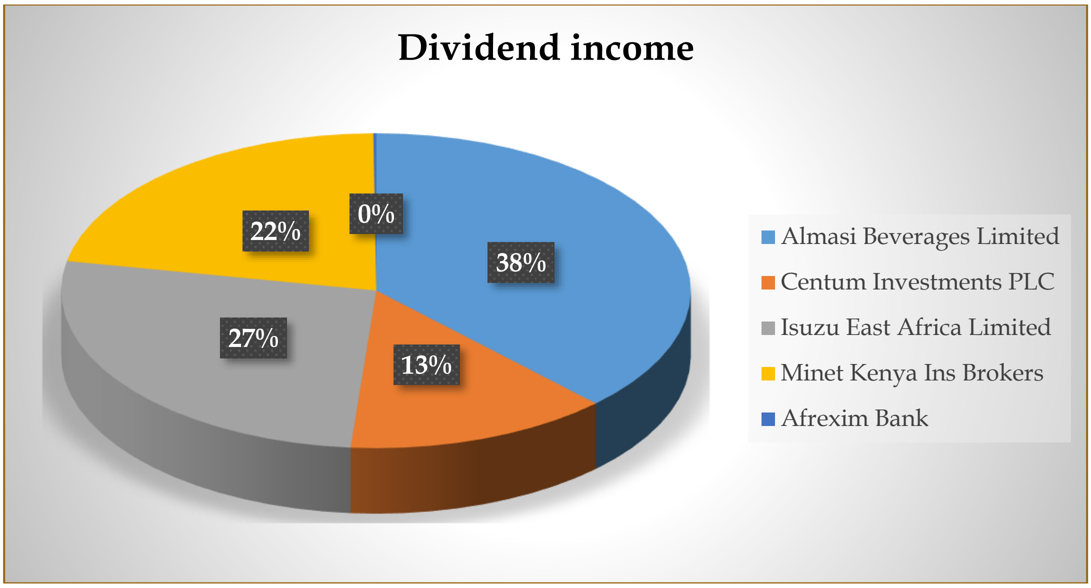


a) Dividend Income

The dividend income which accounts for 37% of the total revenue was realized from the below noted five investee companies.

Company	Actual 2022-23 Ksh	Budget 2022-23 Ksh	Actual 2021-22 Ksh
Almasi Beverages Limited	249,080,211	229,239,396	218,323,235
Centum Investments PLC	89,721,716	89,721,716	50,439,806
Isuzu East Africa Limited	176,346,452	212,813,153	202,679,194
Minet Kenya Ins Brokers	144,269,725	100,000,000	190,605,087
Afrexim Bank	1,000,644	842,280	802,171
Total Income	**660,418,748**	**632,616,545**	**662,849,493**

Almasi Beverages, Minet Kenya and Afrexim Bank declared higher dividends than budgeted due to exceptional performance recorded during the period compared to previous periods. Centum's dividend was on budget but significantly higher than that realized during the previous period. Isuzu declared a dividend which was lower than budgeted and previous period.



b) Interest on Loans

Ksh.368million was earned as interest on loans compared to a budget of Ksh352 million. The higher earnings were attributable mainly to recognition of interest income on restructured facilities which were previously non-performing. Future growth in interest income is expected to come from new lending.

c) Rental Income.

Rental income from the Corporations three office blocks accounts for 21% of its revenue streams. Ksh385million was earned compared to a budget of Ksh.391 million. The lower earnings were mainly due to vacant space that was not taken up as expected.

d) Interest on Deposits

Interest on short term deposits realized Ksh275m while Ksh183m had been budgeted with the higher turnout being attributed to a higher level of cash balances during the period mainly due to a lower level of loan disbursement and higher interest rates.

e) Other gains and losses

Other gains and losses include revaluation gains and proceeds from sale of investment property. During the period the Corporation revalued its investment property including Uchumi House, Utalii House, Finance House, Eldoret Plot, Hilton plot and Mombasa Island plot in line with the requirements of IAS 40. A revaluation gain of Ksh18m was realized compared to Ksh906m realized during the previous period. The lower gains during the current period is mainly because a number of the properties revalued during the previous period had not been revalued for a long period of time hence the high gains on revaluation.

f) Other Incomes

Other incomes include appraisal fees, advisory services and write-backs on provisions. These had been budgeted at Ksh198m while Ksh50m was realized. A budgeted revenue grant of Ksh147m for the Drive Project was not realized during the period.

ii) Expenditure

Total expenditure during the period amounted to Kshs Ksh1.27 billion against a budget of Ksh1.55 billion and prior period expenditure of Ksh1.62 billion. Lower expenditure was realized in both staff and administrative expenses.
A profit before tax of Kshs 580m was realized against a budgeted profit before tax of Ksh207million.

The table below gives a summary of the total expenditure.

Expenditure Item	Actual 2022-23	Budget 2022-23	Actual 2021-22
	Ksh	Ksh	Ksh
Staff Costs	476,978,398	493,511,577	503,439,384
Administrative	389,870,294	641,638,825	343,786,614
Cost of Investment	45,250,000	59,000,000	51,500,000
Finance Charges	45,093,077	45,378,959	44,738,922
Provision for losses	312,629,421	312,629,567	684,401,173
Total Expenditure	**1,269,821,191**	**1,552,158,928**	**1,627,866,094**

a) Staff Costs

Staff costs were budgeted at Ksh494 million while an amount of Ksh477 million was incurred with the lower level of expenditure being attributed mainly to some positions in the organization structure remaining vacant while there had been plans to fill them.

b) Administrative Costs

An amount of Ksh642million had been budgeted for administrative costs while Ksh390million was incurred compared to Ksh344million incurred in 2021-22. The lower level of expenditure resulted mainly from lower publicity and communication, research and feasibility studies, professional fees and depreciation costs.

c) Cost of Investment Property Sold

This item represents the cost of the apartments in Mombasa that were sold during the period. Units with a total cost of Ksh45m were sold during the period while Ksh59m had been budgeted for with the lower cost representing fewer units sold than projected.

d) Finance Charges

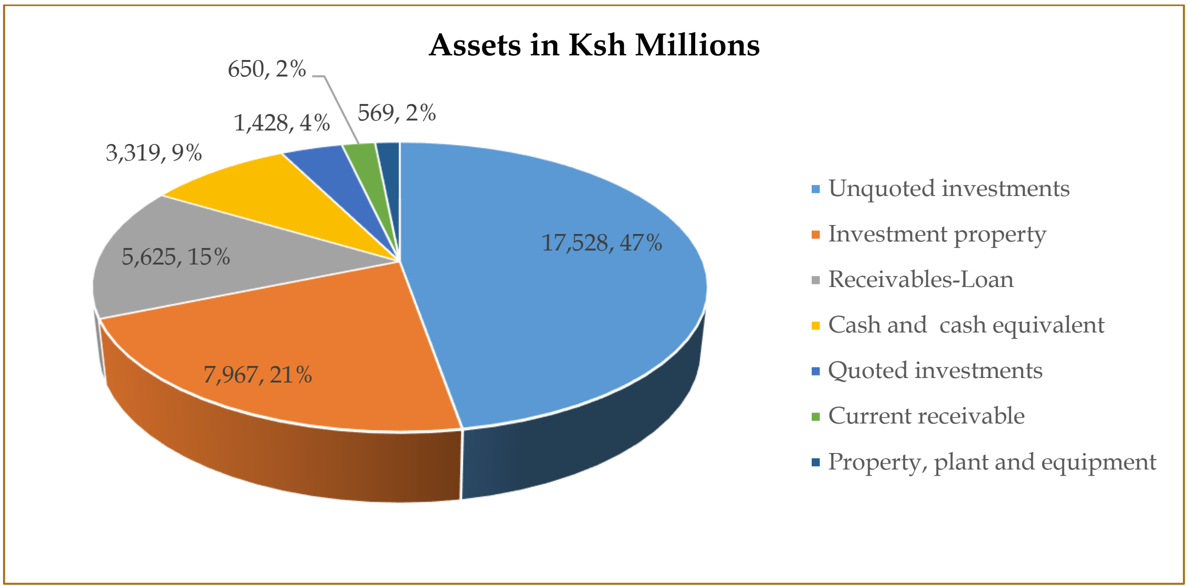
A finance charge of Ksh45m was incurred during as budgeted.

e) Provision for Losses.

An amount of Ksh312 million had been budgeted as provision for losses on loans and the same amount was accrued. A review of the loan book and the level of provisions has been undertaken by Ernst & Young in line with IFRS9 requirements which indicates that the level of provisions held in the books is adequate.

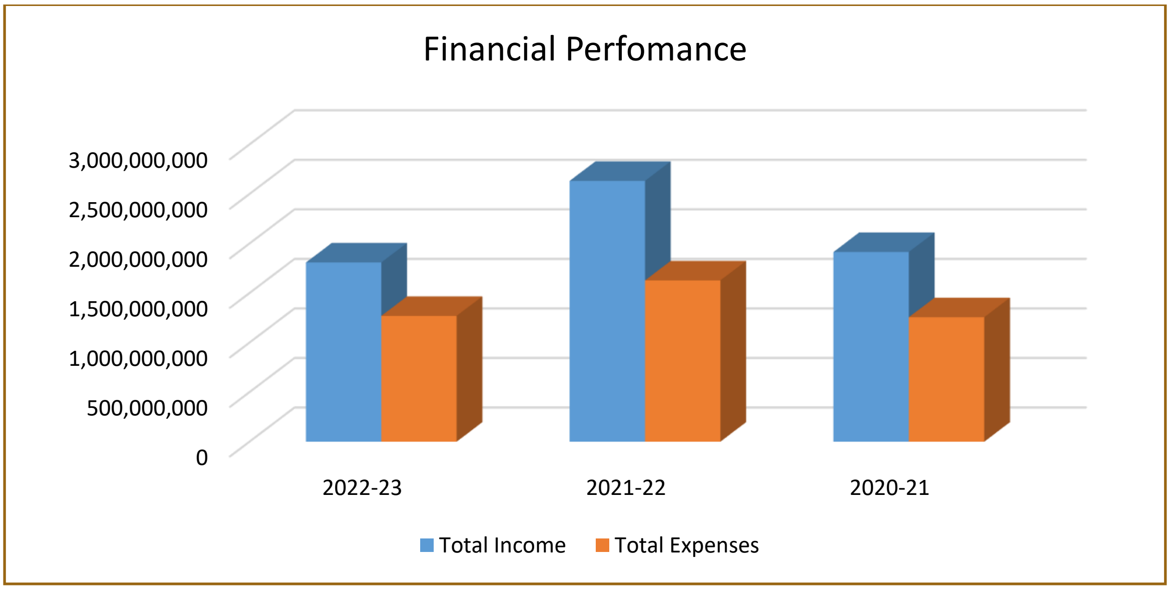
2) Statement of Financial Position.

	Actual 2022-23	Budget 2022-23	Actual 2021-22
Assets	**Ksh**	**Ksh**	**Ksh**
Equity Investments	18,956,594,511	19,805,406,183	19,803,742,048
Loans	5,625,252,710	6,772,889,905	5,136,784,050
Investment Property	7,967,283,262	8,261,792,411	8,132,017,094
Property Plant & Equipment	547,031,281	269,990,142	204,976,736
Intangible Assets	21,786,993	23,238,751	23,098,473
Inventory	5,469,943	4,102,740	3,597,609
Debtors	650,849,223	544,134,306	821,561,004
Cash and Bank Balance	3,319,097,761	1,920,449,241	3,154,516,427
Total Assets	**37,093,365,683**	**37,602,003,680**	**37,280,293,441**
FINANCED BY:			
Equity and Liabilities			
Capital & Reserves	35,224,370,553	35,737,127,851	35,509,809,192
GOK & External Loans	1,402,780,438	1,352,456,127	1,356,220,179
Creditors	466,214,693	512,419,702	414,264,070
Total Equity & Liabilities	**37,093,365,684**	**37,602,003,680**	**37,280,293,441**



3) Financial Performance

	2022-23	2021-22	2020-21
	Ksh.	Ksh.	Ksh.
Total Income	1,808,629,127	2,632,145,360	1,914,543,443
Total Expenses	1,269,821,191	1,627,866,094	1,256,280,341
Operating Profit (Loss) before tax	538,807,937	1,004,279,266	658,263,102
Total Assets	37,083,887,887	37,280,293,441	33,441,704,042
Movement in Revenue	(31%)	37%	
Movement in expenditure	(22%)	30%	
Movement in Assets	(1%)	11%	
Return on Assets	1.5%	2.7%	2.0%



The above table and graph give an analysis of the financial performance of KDC for the FY 2022-2023, FY 2021-22 and that of FY 2020-21 being a consolidation of the three former entities which merged to form KDC, these being ICDC, TFC and IDB Capital.

1. Revenue

Gross revenue decreased by 31% from 2021-2022 to 2022-2023 mainly due to an amount of Ksh. 906m unrealised gain in revaluation in investment property in the previous year

2. Expenditure

Operating expenditure decreased by 22% 2021-2022 to 2022-2023. The main driver for the decrease was provision for losses for impaired loans as the Corporation moves to align its loans provisioning with the requirements of IFRS 9. Future loans provisions are expected to be significantly lower as the Corporation steps up its management of problematic loan accounts.

3. Assets.

The total assets held by the Corporation decreased slightly by 1% to Ksh37.1 billion in FY 2022-2023 from KShs 37.3billion in FY2021-2022, total asset before the merger were Ksh33.4billion

III. KDC Compliance with Statutory Requirements

The KDC Compliance Management Framework defines the essential principles, roles, and responsibilities in the Corporation's evaluation and management of compliance risk. The KDC Enterprise Risk Management Framework serves as the foundation for the Compliance Management Framework.

Effective mechanisms and controls for identifying, measuring, monitoring, and addressing possible concerns are critical for risk management. The ERM Framework has defined 8 categories of risk: strategic, financial, credit, market, liquidity, operational, compliance (legal and regulatory), and reputational.

Risks Associated with Compliance Management

Any product, service or operational activity might expose the Corporation to a variety of risks. Risks can also be interconnected and adversely or favourably associated. Management is cognizant of and evaluates the impact of this relationship.

Highlight of some risks the Corporation is Exposed to

1. **Compliance Risk:** refers to the risk to the Corporation's existing or forecasted financial sustainability and resilience originating from infractions of laws or regulations or noncompliance with practices specified by external stakeholders and leading organizations that the corporation has chosen to adhere to, internal policies and procedures, or ethical standards.

2. **Operational Risk:** refers to the risk to existing or forecasted financial sustainability and resilience resulting from deficient or inadequate internal processes or systems, improper accounting, human error or fraud, or adverse external occurrences. Operational risk may increase when the Corporation issues more facilities, performs more transactions, and employs automation and technology more extensively.

3. **ICT and Cyber Security Risk:** refers to the risk due to Automation that can compound the exposure of errors or system deficiencies, highly automated environments provide heightened operational risk exposure, which can result in compliance or reputation risk.

4. **Strategic Risk:** refers to the risk to the existing or forecasted financial sustainability and resilience caused by unfavourable business decisions, poor business decision execution, or a lack of response to changes in the operating environment. Strategic risk increases when strategic initiatives are incompatible

with the Corporation's risk appetite; the Strategic Plan or does not provide an adequate return on investment.

5. **Reputational Risk**: refers to the risk to the Corporation's capital originating from negative public opinion. This risk may impede the Corporation's ability to fulfil its mandate by interfering with its capacity to build new relationships or preserve existing ones, or to continue servicing current client relationships or to generate new ones.

6. **Stakeholder Management Risk**: refers to the risk to the Corporation's based on the Corporation operate in an integrated stakeholder’s environment to achieve its mandates on delivery of services. The existing and on boarded stakeholders may dictate the extent of delivery of mandate.

7. **Human Capital Risk**: refers to issues arising out of human capital issues and people management as well as talent management that are likely to impact the achievement of mandate.

8. **Financial Risk:** financial resilience encompasses all risks financial in nature including but not limited to Liquidity and cash flow risks. Risk arising out of the financial operations.

9. **Credit Risk**: KDC has a lending line for business, this risk may arise out of the lending operations leading to either positive or negative impact. May be referred as debt portfolio performance risk

10. Environmental and Sustainability Reporting

The Corporation follows its brand promise "Creating Wealth Together", in its strategic plan, there is deliberate focus on safeguarding the environment and creating sustainable impact to all its stakeholders. The core business is intertwined with Environmental, Social, and Governance (ESG) concerns and this is embedded in the core business processes and procedures focusing on people, planet and profits.

Through a strong Environmental, Social, and Governance (ESG) framework, the Corporation is committed to work with its stakeholders to incorporate ESG values and standards into their investment approach. Equally the Corporation has embarked on a holistic sustainability journey with the aim of playing a key role in modernizing and transforming Kenya's economy and driving sustainable national development.

The ongoing climate change crisis, green initiatives, data security and recent global pandemic anchors the Corporation's commitment to consider Environmental, Social, and Governance (ESG) factors in its core operations.

Highlight of Key ESG Initiatives:

Operations - Activities	Requirements
Assessment	Identify and assess social and environmental impacts, both adverse and beneficial.
Elimination	Avoid, or where avoidance is not possible, minimize, mitigate or compensate for adverse impacts on workers, affected communities, and the environment.
Community Engagement	Ensure that affected communities are engaged in issues that could potentially affect them. urge stakeholders to disclose their targets for reductions in carbon emissions and utilization of clean energy
Stakeholders Engagement	Engage with stakeholders in reducing the environmental impact and increasing transparency.

i. Sustainability strategy and profile.

KDC is a member of the Association of African Development Finance Institutions (AADFI) which has partnered with the European Organization for Sustainable Development (EOSD) to enable African DFIs obtain Sustainability Standards & Certification through the Sustainability Standards & Certification Initiative (SSCI). SSCI is a global initiative for implementing and maintaining holistic, universally accepted, and executable across-the-board sustainability standards.

a) **Sustainability Outlook** – An outward approach centered on why we exist.
b) **Core -** To build a high-income economy that is economic, social and environmentally friendly, supported by high skilled innovation & high-level technology.
c) **Outcome** - Future proofing our existence and that of our stakeholders.

The certification's objectives are creation of strong and resilient financial institution with capacity for efficient mobilization and deployment of funds for accelerating the sustainable development of Kenya Economy.

The Corporation faces internal and external challenges that influences whether it will achieve the institutional sustainability objectives, but similarly there are factors of risk in nature that provide opportunities that KDC can exploit. We have mapped out plausible opportunities irrespective of the market dynamics.

There are various factors and conditions, which have the capability of influencing KDC business positively or negatively, these factors include but not limited to rate of inflation and direction, forex fluctuations, balance of payments, legal and regulatory changes, changes in tax compliance requirements and rates, geo politics, fuel and energy prices, Climate change, ICT vulnerability, the CBK monetary and Fiscal Policy.

KDC Sustainability Strategies.

INSTITUTIONAL SUSTAINABILITY. i. Increased Net Interest Income. ii. Low Cost to Income Ratio. iii. Increase Non-Interest Income. **iv.** Controlled NPL.	**ECONOMIC SUSTAINABILITY.** i. Boosting the Real Economy. ii. Building Economic Resilience. **iii.** Creating an Innovation, tech survey and future proof economy.
SOCIAL SUSTAINABILITY. i. Enhancing Quality of Lives. ii. Promoting Entrepreneurship and Innovation. iii. Enabling Inclusive Prosperity. **iv.** Preserving and Promoting Culture.	**ENVIRONMENTAL SUSTAINABILITY.** i. Climate Change – Carbon Neutrality. ii. Championing Resource Efficiency. **iii.** Biodiversity Preservation and Enrichment.

ii. Environmental performance.

Through a strong Environmental, Social and Governance (ESG) framework, the Corporation works with its stakeholders to incorporate ESG tenets into their investment approach. Additionally, The Corporation has partnered with the World Bank to develop project specific Environment and Social Management System (ESMS) that provides evaluation criteria for each client to ensure Environment, Social and Governance Safeguards.

This Framework applies to all investments considered by the Corporation in existing/new companies or projects. In instances where the Corporation has limited control or ability to influence consideration of ESG issues (for example due to status of a minority stakeholder), reasonable efforts are made to encourage such portfolio companies to consider relevant ESG related principles in their operations.

With regard to the investment process, the investment policy outlines sustainability focus, where Corporation's investments shall be undertaken to fulfil the mandate of promoting sustainable national economic development in line with the development priorities identified from time to time by the government. This is inclusive of sustainable development goals initiatives aligned to vision 2030 and African Union Agenda 2063

The ESG framework focuses on the following aspects;

Thematic Area	Precaution.
Environmental	Safeguard depletion of natural resources and the threat of climate change that threatens the environment and the potential financial impact on businesses. Sustainable options must be considered as part of investment choices
Social	Inclusion, diversity and equality as important considerations in relation to the way in which businesses operate and generate competitive advantage. Consider and preserve the increasing commercial benefits for businesses which have inclusive and diverse work ethics and practices; and, look at the impact a company has on its employees, local communities and society.
Governance	Rights and responsibilities of the board, management and stakeholders in a stakeholder's entity, its structures, corporate values and accountability processes.

iii. Employee welfare.

The Corporation Human Resource Management policy and procedures align with SDG No 8. (Employee Involvement – decent work, economic growth & employee involvement). The strategic plan, budgeting process and business continuity policy gives priority to staff wellness and welfare and ensures there is no discrimination or favouritism. The Corporation has also provided an elaborate policy and implementation plan for capacity enhancement and training, succession planning, open and anonymous channels for staff feedback, whistle blowing and witness protection as provided for by the witness protection laws and regulations.

To ensure fairness in the recruitment process, the Corporation has approved Human Resources Manual and Career Guidelines. These guidelines coupled with specific job descriptions and open recruitment system, checks and balances mechanism ensure a free and fair recruitment, gender balance and remuneration processes. The Corporation has a 50:50 balance of gender demographics being an indication of fairness and gender sensitivity.

Considering staff motivation, productivity and improvement of social and economic welfare, a detailed health and wellness program has been implemented, these include, including health and other workplace related insurance schemes and work place gym. For economic empowerment and life safeguard, the Corporation has implemented various financial benefit schemes aligned with public service and salaries and remuneration commission guidelines.

Though staff surveys and engagement forums, the Corporation has embarked on a change management and culture transformation. Equally, to drive sustainable operations and performance, the Corporation has an annual performance management plan, that is reviewed and reported periodically including collaboration with state agencies. This is also supported by a rewards and sanctions policy that enumerates causes for action and inaction.

The Corporation has a detailed mechanism to ensure compliance with Occupational Safety and Health Act of 2007, (OSHA), this has been implemented both at office design, internal operations and periodic sensitization to relevant stakeholders.

The corporation also allows freedom of expression, association to collectively express, promote, pursue and defend common interests.

iv. Market place practices.

Cognisant of the Corporation going concern, effective existence is anchored on sustainable engagements with, Macro, Micro, Global and Government stakeholders. The Corporation market practices has targeted tactical engagements and partnership initiatives to stakeholders to ensure responsible competition, supply chain and supplier relations, marketing and advertisement and product stewardship.

v. Responsible competition practice.

The Corporation engages in business practices that deliver improved social, environmental, and economic outcomes; and encourage such business practices through internal policies, stakeholders and citizen’s actions.

The Corporation has adopted an open published system focusing on various market engagements based on stakeholder demands. The material disclosures and publications through the website, brochures, open stakeholders’ engagement workshops, internal business idea/proposal review and disclosure on pricing entrenches responsible and accountable competition enables open and fair market engagement.

vi. Responsible supply chain and supplier relations.

As required by the Public Procurement and Asset Disposal Act of 2015 and regulations 2020, the Corporation supply chain and supplier relationships are anchored in the procurement policy and procedure manual which are aligned with the existing supply chain regulatory framework.

The open prequalification of suppliers, open tendering system, transparent tender evaluation, contract monitoring and evaluation systems provides an open, reliable and sustainable suppliers engagement and relationship. This drives value for money procurement, cost management and compliance.

Though an elaborate procurement plan linked to the budget, the supply chain team works closely with contracting user department to ensure contract monitoring and delivery as per the agreed terms of delivery, any challenges are resolved within the provisions of the law and no case has been escalated to a court of law or procurement tribunal.

vii. Responsible marketing and advertisement

The Corporation does not have preferential customers or stakeholders as its key focus is social and economic transformation in Kenya and Elsewhere. The focus is to offer free, open and reliable engagement to leverage on market information and opportunities.

The Corporation relies on public platforms both print and digital media to ensure fair access to information by all stakeholders. For one on one and focused engagements, the Corporation participates in open public forums, workshops and various partnerships where the mandate, product and investment options are shared.

viii. Product stewardship.

To provide guideline on areas where the Corporation can engage using the internally generated resource and resources from other development partners, the Corporation has a detailed Investment policy and an Environment Social Management System which are operationalised through various approve products processes and procedures.

The investment policy and implementation procedures have defined clear selection criteria, defining sectors, products or areas where the Corporation shall not engage in as they are deemed to have negative impact to the sustainable development goals. These are: -

a) Arms manufacture and distribution or military related activities;
b) Casinos, nightclubs, gambling resorts, betting companies and brothels or escort services;
c) Manufacture of illicit alcoholic beverages, cigarettes and any other intoxicants;
d) Through the Environment Social Management System, the Corporation has identified activities where it shall not engage in including but not limited to the following: -:

i. Any activities resulting or anticipated to result in permanent or temporary physical or economic displacement;
ii. Any activities involving adverse impacts on biodiversity conservation and sustainable management of living natural resources;
iii. Any activities that have adverse impacts on cultural heritage as defined under ESS8 on Cultural Heritage;
iv. Any activities that, due to the nature and scale of the activities, would result in a wide range of significant adverse impacts and risks, which are long-term, permanent, and/or irreversible, impossible to avoid entirely, and cannot be mitigated or required complex, unproven mitigation and excessive associated costs, rendering its risk classification as high;
v. Production or trade in any product or activity deemed illegal under the Kenyan laws or regulations or ratified international conventions and agreements;
vi. Production or trade-in pesticides/herbicides subject to international phase-outs or bans;
vii. Any activities that would curtail workers' fundamental rights; and,
viii. Production or activities that impinge on the lands owned, or claimed under adjudication, by indigenous peoples, without full documented consent of such peoples.

ix. Corporate Social Responsibility / Community Engagements

In the month of May 2023 Kenya Forest Service (KFS) successfully negotiated with Kenya Development Corporation (KDC) for adoption of one (1) ha in Dundori Forest for forest rehabilitation. This engagement culminated with a joint tree planting exercise on 26th May 2023. Subsequently KDC and KFS signed Framework for Collaboration agreement that will implementation of this forest rehabilitation initiative.

11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the *Corporations'* affairs.

i) Principal activities
The principal activity of KDC is to promote sustainable socio-economic development by providing development finance, infrastructure finance, business support and advisory services to medium and large-scale industries, infrastructure projects and commercial undertakings in target sectors in Kenya and elsewhere. In fulfilling this mandate, the Corporation's will play a catalytic role through provision of long-term financing and other financial investments as well as business advisory services.

ii) Results
The results of the entity for the year ended June 30, 2023, are set out on page 1 Below is summary of the profit or loss made during the year.

iii) Dividends
Subject to the approval of the shareholders, the Directors recommend the payment of a first and final dividend for the year of Ksh. 1,000,000.

iv) Directors
The members of the Board of Directors who served during the year are shown on pages viii in accordance with the State Corporations ACT and the *Corporations'* Articles of Association, Directors retire and are eligible for re-appointment from the appointing authority.

v) Auditors
The Auditor-General is responsible for the statutory audit of the *Corporation* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.
By Order of the Board

....

Grace Magunga

Corporate Secretary/Secretary to the Board

Date

12. Statement of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012 and (*section 14 of the State Corporations Act, - (entities should quote the applicable legislation under which they are regulated))* require the Directors to prepare financial statements in respect of that *Corporation*, which give a true and fair view of the state of affairs of the *Corporation,* at the end of the financial year/period and the operating results of the *e Corporation,* for that year/period. The Directors are also required to ensure that the *Corporation,* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Corporation,* The Directors are also responsible for safeguarding the assets of the *Corporation,*

The Directors are responsible for the preparation and presentation of the *Corporation's* financial statements, which give a true and fair view of the state of affairs of the *Corporation,* for and as at the end of the financial year (period) ended on June 30, 2023. 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 *Corporation,*, (v)selecting and applying appropriate accounting policies, and (vi)Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the *Corporation's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act.

The Directors are of the opinion that the *Corporation's* financial statements give a true and fair view of the state of *Corporation's* transactions during the financial year ended June 30, 2023, and of the *Corporation's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *Corporation,* which have been relied upon in the preparation of the *Corporation's* financial statements as well as the adequacy of the systems of internal financial control.

Statement of Directors' Responsibilities (Continued)

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern (*disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements*) OR
Nothing has come to the attention of the Directors to indicate that the *Corporation,* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Corporation's financial statements were approved by the Board on 28th September 2023 and signed on its behalf by:

....	....
Hon. Dr. Sakwa Bunyasi	**Norah Ratemo**
Chairperson of the Board	**Accounting officer**

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KENYA DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations which have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Development Corporation (KDC) set out on pages 1 to 71, which comprise of the statement of financial position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, 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, the financial statements present fairly, in all material respects, the financial position of Kenya Development Corporation as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS), Companies Act, 2015 and comply with the Kenya Development Corporation Limited (Vesting) Order, 2021.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Development Corporation Management in accordance with ISSAI 130 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 opinion.

Emphasis of Matter

High Ratio of Non-Performing Loans Portfolio

I draw attention to Note 44 to the financial statements, which discloses long term receivables balance of Kshs.5,625,252,710 relating to loans and advances by the Corporation to borrowers as at 30 June, 2023. The respective loan records indicated that approximately Kshs.33,444,612,767 or 86% of the Corporation's total loans portfolio estimated at Kshs.39,069,865,477 as at 30 June, 2023 was considered by Management as non-recoverable. Further, the Corporation has stopped accrual of interest on the loans in line with the In Duplum rule which requires that interest accrued should not exceed the principal amount outstanding when the loan becomes non-performing. In addition, the securities related to some of the old non-performing loans being borrowers' ancestral lands, were reported to be missing, impaired, or irredeemable.

The Board of Directors has approved full provision for the losses totalling Kshs.33,444,612,767 against the Corporation's reserves as required by International Financial Reporting Standard No.9. However, the high ratio of non-performing loans portfolio indicates that the Corporation is unable to recover most loans owed by its customers. As a result, the Corporation's capacity to lend to new borrowers and eventually attain its purpose and mandate may be constrained.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters which, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Impairment of Inventory – Investment in Property (IP)

Review of the Corporation's inventory of investments in properties indicates that during the year 2020-2021, the Board of Directors revised downwards the sale prices for one of its housing projects with a view to increasing demand for the units. However, as at 30 June, 2023, the number of unsold apartments was 11 (out of 28) and 24 (out of 36) for the Zamia Heights Apartments and Oceania Apartments respectively. This is despite completion of the apartments in July, 2015 (Zamia) and 2018 (Oceania). The Management explained that the Corporation is currently paying service charge on the unsold units to the Apartment's Management companies at the rate of Ksh10,000 per unit per month. The average spent per annum on maintenance has therefore come down to about Kshs.4 million from Kshs.10 million and the amount is expected to reduce each time a unit is sold. The value for unsold units recognized by the Corporation as at year end is Kshs.123,650,000 and Kshs.366,850,000 for the Zamia and Oceania Apartments respectively both totalling Kshs.490,500,000.

In the circumstances, the inventory held by Corporation is possibly impaired based on the slow uptake of the apartments during the year under review. The possible amount of impairment has been taken into account in these financial statements.

Other Information

The Directors are responsible for the other information, which comprises the Chairman's Report, Executive Director's Report, statement of performance against predetermined objectives, corporate governance statement, Management discussion and analysis, environmental and sustainability report, Report of Directors, and statement of Directors' responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, I confirm that, nothing 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 which 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, 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 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on the Audit that:

i. 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;

ii. In my opinion, adequate accounting records have been kept by the Kenya Development Corporation (KDC), so far as appears from the examination of those records; and,

iii. The Kenya Development Corporation (KDC) financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements which are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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 which 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 which 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 which 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 which 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 noncompliance. 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 which 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability 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 Corporation to cease to continue as a going concern.

- 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 which achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Corporation 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 which 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 which may reasonably be thought to bear on my independence, and where applicable, related safeguards.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 February, 2024

14. Statement of Profit or Loss and Other Comprehensive Income for the year ended 30th June 2023.

Description	Note	2022/2023	2021/2022
		Kshs	**Kshs**
Revenues			
Dividend income	6	660,418,748	662,849,493
Interest income	7	367,979,775	360,526,028
Finance income	8	274,959,683	202,410,097
Rental income	9	385,597,396	408,295,409
Other miscellaneous Income	10	50,084,844	39,988,579
Other gains/(losses)	11	69,588,682	958,075,754
Total Revenues		**1,808,629,127**	**2,632,145,360**
Operating expenses			
Administration costs	12	1,224,728,114	1,583,127,172
Finance costs	13	45,093,077	44,738,922
Total operating expenses		**1,269,821,191**	**1,627,866,094**
Profit/(loss) before taxation		**538,807,937**	**1,004,279,266**
Income tax expense/(credit)	15	(43,535,320)	(15,744,833)
Profit/(loss) after taxation		**495,272,616**	**988,534,433**
Other comprehensive income			
Profit/ (Loss) after taxation		**495,272,616**	**988,534,433**
Fair value gain/(loss) on unquoted investments		(787,098,398)	3,307,640,025
Fair value gain/(loss) on quoted investments		(93,612,857)	(1,173,481,033)
Total comprehensive income for the year		**(385,438,639)**	**3,122,693,425**

15. Statement of Financial Position as at 30 June 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Assets			
Non-Current Assets			
Property, plant and equipment	18	547,031,281	204,976,736
Intangible assets	19	21,786,993	23,098,473
Investment property	20	7,967,283,262	8,132,017,095
Quoted investments	21	1,428,311,421	1,521,924,278
Unquoted investments	22	17,528,283,090	18,281,817,769
Receivables-Loan	23	5,625,252,710	5,136,784,050
Total Non-Current Assets		**33,117,948,757**	**33,300,618,401**
Current Assets			
Inventories	24	5,469,943	3,597,609
Trade and other receivables	25	560,037,329	730,749,110
Tax recoverable	26	90,811,894	90,811,894
Short-term deposits	27	3,216,845,876	3,104,533,494
Bank and cash balances	28	102,251,885	49,982,933
Total Current Assets		**3,975,416,926**	**3,979,675,040**
Total assets		**37,093,365,683**	**37,280,293,441**
Equity And Liabilities			
Capital And Reserves			
Revaluation reserve	29	990,771,035	889,771,035
Fair Value Reserves	30	16,386,663,566	17,267,374,821
Retained earnings	31	13,398,142,468	12,903,869,852
Share Capital	32	936,807,234	936,807,234
Grant	33	3,511,986,250	3,511,986,250
Capital And Reserves		**35,224,370,553**	**35,509,809,192**
Non-Current Liabilities			
Borrowings	34	1,402,780,438	1,356,220,179
Deferred tax liability	35	8,901,708	8,901,708
Deferred Income	36	37,263,543	30,271,141
Total Non-Current Liabilities		**1,448,945,689**	**1,395,393,028**
Current Liabilities			
Trade and other payables	37	376,514,121	374,868,909
Related companies' current balances			222,312
Tax Payable	15	43,535,320	
Total Current Liabilities		**420,049,441**	**375,091,221**
Total Equity And Liabilities		**37,093,365,683**	**37,280,293,441**

The financial statements were approved by the Board on 28th September 2023 and signed on its behalf by:

…………………………………	…………………………………	…………………………………
Norah Ratemo	**CPA Kennedy Wanderi** **Deputy Director Finance & Accounts**	**Hon. Dr. Sakwa Bunyasi**
Director General	**ICPAK M/NO: 3349**	**Chairman of the Board**

16. Statement of Changes in Equity for the year ended 30 June 2023

Description	Revaluation Reserve	Fair value adjustment reserve	Retained earnings	Share Capital	Grant	Total
As at July 1, 2021	832,206,789	15,324,332,981	11,912,849,789	936,807,234	3,511,986,250	**32,518,183,042**
Profit for the year	-	-	988,534,433			**988,534,433**
Adjustment to Recognise Fair Value of Investments	-	1,943,041,840	2,485,630			**1,945,527,471**
Revaluation surplus on land & Buildings	57,564,246	-	-	-	-	**57,564,246**
As of June 30, 2022,	**889,771,035**	**17,267,374,821**	**12,903,869,852**	**936,807,234**	**3,511,986,250**	**35,509,809,192**
As at July 1, 2023	**889,771,035**	**17,267,374,821**	**12,903,869,852**	**936,807,234**	**3,511,986,250**	**35,509,809,192**
Prior Year Adjustment						
Revaluation gain	101,000,000					101,000,000
Fair value adjustment on investments	-	(880,711,255)		-	-	(880,711,255)
Profit for the year	-	-	495,272,616	-	-	495,272,616
Dividends paid	-	-	(1,000,000)	-	-	(1,000,000)
At June 30, 2023	**990,771,035**	**16,386,663,566**	**13,398,142,468**	**936,807,234**	**3,511,986,250**	**35,224,370,553**

17. Statement of Cash Flows for the year ended 30 June 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Cash flows from operating activities			
Cash generated from/(used in) operations	40	301,876,137	889,569,160
Interest expense	40d	45,093,077	44,738,922
Taxation paid	15	(15,744,833)	
Net cash generated from/(used in) operating activities		**331,034,125**	**934,308,082**
Cash flows from investing activities			
Purchase of property, plant and equipment	18	(118,742,403)	(15,750,632)
Proceeds from disposal of property, plant and equipment		7,705,000	-
Purchase of intangible assets	19	(5,453,819)	(14,357,807)
Investment Property-Addition		-	(57,564,246)
Investments in Equity	22	(3,667,775)	(191,117,250)
Proceeds from disposal of quoted investments			
Profit on Disposal Of Investments		-	51,500,000
Net cash generated from/(used in) investing activities		**(120,158,997)**	**(227,289,935)**
Cash flows from financing activities			
Gok ESP advanced from Gok			
Proceeds from borrowings			
Repayment of borrowings	34	(45,484,050)	(46,764,779)
Dividends paid	39	(1,000,000)	(10,538,000)
Net cash generated from/(used in) financing activities		**(46,484,050)**	**(57,302,779)**
Increase/(decrease) in cash and cash equivalents		**164,581,334**	**649,715,368**
Cash and cash equivalents at beginning of year		**3,154,516,427**	**2,504,801,059**
Cash and cash equivalents at end of the year	40	**3,319,097,761**	**3,154,516,427**

18. Statement of Comparison of Budget and Actual amounts for the period ended 30 June 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	c = a + b	d	E= c - d	d/c%
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Dividend income	517,654,626	114,961,919	632,616,545	660,418,748	(27,802,204)	104%
Interest on loans	1,347,745,316	(995,154,191)	352,591,125	367,979,775	(15,388,650)	104%
Rental income	320,456,519	71,167,714	391,624,233	385,597,396	6,026,837	98%
Interest on deposits	140,092,450	43,695,007	183,787,457	274,959,683	(91,172,226)	150%
Un-realized gains on revaluation of investment property	66,685,000	-	66,685,000	69,588,682	(69,588,682)	100%
Other incomes	3,693,874,588	(3,561,579,814)	172,560,011	50,084,844	148,894,930	76%
Total income	**6,019,823,499**	**(4,326,909,366)**	**1,759,599,133**	**1,808,629,127**	**(49,029,994)**	**106%**
Expenses						
Compensation of employees	566,068,183	(72,556,606)	493,511,577	476,978,398	16,533,179	97%
Use of goods and services			0		-	
Finance cost	128,965,861	(83,586,902)	45,378,959	45,093,077	285,882	99%
Taxation paid	304,290,027		304,290,027		304,290,027	0%
Other payments	706,647,956	2,330,409	708,978,365	706,428,931	(523,884,607)	100%
Total expenditure	**1,705,972,027**	**(153,813,099)**	**1,552,158,928**	**1,228,500,406**	**323,658,522**	**79%**
Surplus for the period	**4,313,851,472**	**(4,173,096,267)**	**207,440,205**	**580,128,721**	**(372,688,515)**	**280%**
Capital Expenditure	**216,500,000**		**216,500,000**	**121,351,815**	**95,148,185**	**56%**

Note:

i. *Interest on short term investments was more than the budget because of the following factors; the interest yield was higher than expected, and the disbursements were fewer than expected hence more funds were available for investing in short-term deposit*
ii. *Un-realized gains on revaluation of investment property hadn't been anticipated in the year under review*
iii. *Refurbishment of the offices in Uchumi house and renovation of Utalii house weren't completed as anticipated hence the Capex variance*

19. Notes to the Financial Statements

1. General Information

Kenya Development Corporation is established by and derives its authority and accountability from the Companies Act and its Articles of Association. Kenya Development Corporation is wholly owned by the Government of Kenya and is domiciled in Kenya. The Corporation's principal activity is to promote sustainable socio-economic development by providing development finance, infrastructure finance, business support and advisory services to medium and large-scale industries, infrastructure projects and commercial undertakings in target sectors.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

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 Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in *Note 5.* The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *corporation,* and all values are rounded off to the nearest Kenya shillings. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the Financial Statements (Continued)

3. Application of New and Revised International Financial Reporting Standards (IFRS)

i. ***New and amended standards and interpretations in issue and effective in the year ended 30 June 2023.***

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts	Effective for annual periods beginning on or after 1st January 2023.
IAS 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their **material** accounting policy information rather than their **significant** accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled	The amendments, applicable to annual periods beginning on or after 1st January	The amendments are effective for annual

Title	Description	Effective Date
Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	periods beginning on or after January 1, 2023.

(*The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.)*

Notes to the Financial Statements (Continued)

Application of New and Revised International Financial Reporting Standards (IFRS)

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

(The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements).

iii. Early adoption of standards

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

4. Summary of Accounting Policies

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

a) Revenue recognition

Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Corporation recognizes revenue when it transfers control of a product or service to a customer.

i) **Revenue from the sale of goods and services** is recognized in the year in which the Corporation delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

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

iii) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.

iv) **Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.

v) **Other income** is recognized as it accrues.

b) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

c)Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.
Depreciation on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use, as guided by National Treasury policy on assets depreciation are:

Freehold Land	Nil
Buildings and civil works	Unexpired lease period
Plant and machinery	10 years
Motor vehicles, including motor cycles	5 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	10 years

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.
Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

Notes to the Financial Statements (Continued)
Summary of Accounting Policies

d) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

e) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

f) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Notes to the Financial Statements (Continued)
Summary of Accounting Policies

g) Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value through other comprehensive income.

h) Unquoted investments

Unquoted investments are measured at fair value through other comprehensive income (FVTOCI). Unquoted investments are stated at their fair values under non-current assets, and comprise equity shares held in other entities that are not quoted in the Securities Exchange.

i) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

j) Trade and other receivables

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

k) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the 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.

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.

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.

l) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred Tax

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the Financial Statements (Continued)
Summary of Accounting Policies

m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

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 reporting period. 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) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

p) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

q) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2021. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1,080 per employee per month.

r) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue at the employees. At provision is made for the estimated liability for annual leave at the reporting date.

s) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

t) Budget information

The original budget for FY 22/23 was approved by the National Assembly on 27th February 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

u) Comparative figures

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

v) 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, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IFRS 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.

The Corporation has invested in the ordinary capital of various companies and undertakes a valuation of the equity investments at fair values as at the balance sheet date. The valuation makes various assumptions and estimates and where these assumptions and estimates do not hold in the future it may require the adjustment of their carrying value.

The Corporation also advances loans to customers and provision for loss on the loans is based on estimates of the realizable amounts considering repayment history and future macro-economic conditions. The assessment of these factors could change in the future resulting in a need to make material adjustment to the carrying value of the loans.

a) 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 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 Entity. Such changes are reflected in the assumptions when they occur.

b) 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 assets

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 36.

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.

(include provisions applicable for your organization e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

Notes to the Financial Statements (Continues)

6. Dividend Income

	2022/2023	2021/2022
	Kshs	Kshs
• Almasi Dividend Income	249,080,211	218,323,235
• Centum Dividend Income	89,721,716	50,439,806
• Isuzu Dividend Income	176,346,452	202,679,194
• Minet Brokers Dividend Income	144,269,725	190,605,087
• Africa Export -Import Bank Dividend Income	1,000,644	802,171
Total Dividend income	**660,418,748**	**662,849,493**

Dividends were received from investee companies

7. Interest Income on loan

	2022/2023	2021/2022
	Kshs	Kshs
Agriculture, Fishing, Hunting & Forestry	38,542,096	34,082,983
Building and Construction	9,225,423	4,040,814
Finance and Insurance	23,630,304	28,757,968
Healthcare	1,184,167	3,706,761
Information and Communication Technology	3,390,776	3,851,508
Manufacturing	126,118,655	151,191,803
Mining and Quarrying	8,219,372	6,379,772
Preference Equity	24,710,004	38,710,002
Staff Loans	9,872,794	11,373,529
Tourism	121,878,957	78,430,888
Wholesale and Trade	1,207,228	-
Total Interest income	**367,979,775**	**360,526,028**

8. Finance Income

Description	2022/2023	2021/2022
	Kshs	**Kshs**
Interest from commercial	274,959,683	202,410,097
Total	**274,959,683**	**202,410,097**

Interest income received from fixed and call deposits in financial institution, the interest yield was on average 10.8%

9. Rental Income

Description	2022/2023	2021/2022
	Kshs	**Kshs**
Uchumi House	173,987,546	158,932,012
Finance House	72,731,356	80,772,068
Utalii House	138,878,494	168,591,328
Total	**385,597,396**	**408,295,409**

10. Other Miscellaneous Income

Description	2022/2023	2021/2022
	Kshs	**Kshs**
Miscellaneous Income	50,084,844	39,988,579
Total	**50,084,844**	**39,988,579**

These include; application fees, guarantee fees, write backs, directors fees, secretarial fees and sundry income

11. Other Gains and Losses

Description	2022/2023	2021/2022
	Kshs	**Kshs**
Sale Of Investment Property	45,250,000	51,500,000
Unrealized gain on revaluation of investment property	18,411,921	906,575,754
Gains on Disposal of Assets	5,926,760	
Total	**69,588,682**	**958,075,754**

Notes to the Financial Statements (Continued)

12. Administration Costs

Description	2022/2023	2021/2022
	Kshs	**Kshs**
Staff costs (note 12(a))	476,978,398	503,439,384
Directors' emoluments	20,250,688	21,612,181
Electricity and water	33,224,836	28,868,575
Communication services and supplies	13,576,322	34,889,693
Transportation, travelling and subsistence	67,081,988	44,730,518
Advertising, printing, stationery and photocopying	4,726,333	4,117,470
Motor Vehicle running Expenses	5,974,425	3,546,215
Staff training expenses	19,202,012	10,520,610
Other Building Operating Expenses	48,943,964	40,350,465
Insurance costs	14,965,123	15,000,852
Bank charges and commissions	817,395	949,538
Office and general supplies and services	1,433,658	4,317,763
Auditors' remuneration	6,300,000	5,944,000
Legal fees	25,039,145	25,027,601
Consultancy fees	13,970,029	8,702,159
Rent and Rates	6,792,171	7,092,113
Repairs and maintenance	11,160,329	11,014,517
Provision for bad and doubtful debts	312,629,421	684,401,173
Depreciation	13,530,312	18,188,320
Amortization	6,765,299	14,852,918
Cost Of Sale Of Investment Property	45,250,000	51,500,000
VAT Expense	30,283,427	22,186,602
Other Operating Expenses	45,832,838	21,874,505
Total	**1,224,728,114**	**1,583,127,172**

Notes to the Financial Statements (Continued)

12(a) Staff Costs

Description	2022/2023	2021/2022
	Kshs	**Kshs**
Salaries and wages	360,424,418	387,225,582
Staff pension	30,564,648	29,724,519
Casual labour wages	684,266	2,822,055
Fringe benefit tax	4,776,613	3,435,858
NSSF employer's contribution	721,400	279,400
Gratuity/Leave provision	18,077,771	28,964,738
Staff welfare	11,928,595	7,244,458
Long service awards	1,447,263	100,000
Team Building	4,568,434	-
Leave Provisions	1,270,605	-
HR Consultancy	1,752,195	-
Staff medical expenses	34,128,977	37,008,632
Staff group life insurance	4,423,188	3,875,835
Recruitment expenses	832,764	316,200
Subscriptions costs-staff	1,377,262	2,442,108
Total	**476,978,398**	**503,439,384**
The average number of employees at the end of the year was:		
Permanent employees – management	17	17
Permanent employees – non-management	88	95
Temporary and contracted employees		1
Total	**105**	**113**

Eight staff who left the Corporation through resignation and retirement, a staff formally on contract was confirmed

13. Finance Costs

Description	2022/2023 Kshs	2021/2022 Kshs
Interest expense on loans	45,093,077	44,738,922
Total	**45,093,077**	**44,738,922**

The finance costs relate to interest costs on GOK and Exim Bank India loans

14. Operating Profit/ (Loss)

Description	2022/2023 Kshs	2021/2022 Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff Costs (Note 12a)	476,978,398	503,439,384
charging:-		
Depreciation	13,530,312	18188319.56
-Intangible Assets	6,765,299	14,852,918
Directors' Emoluments	20,250,688	21,612,181
Auditors' Remuneration	6,300,000	5,944,000
and after crediting: -		
Profit on Sale of fixed Assets	69,588,682	51,500,000

15. Income Tax Expense/(Credit)

Description	2022/2023 Kshs	2021/2022 Kshs
Profit as per accounts	538,807,937	1,004,279,266
Disallowable expense	628,053,604	1,184,687,924
Allowable expense	(1,147,035,997)	(2,063,061,880)
Adjusted profit/loss for the year	125,292,189	**125,905,310**
Tax charge for the year @ 30%	43,535,320	**37,771,593**
Withholding tax	-	(22,026,760)
Tax charge	**43,535,320**	**15,744,833**

16. Earnings Per Share

The Corporation does not have issued shares on which earnings per share can be calculated.

17. Dividend per Share

During the year 2022-23 the Corporation paid a first and final dividend of Ksh1,000,000. (2022- Ksh10,538,000). Proposed and paid dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM).

Notes to the Financial Statements (Continued)

18. Property, Plant and Equipment

2023	Buildings & civil works	Motor vehicles	Office equipment, furniture & fittings	Computer Hardware	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Cost or valuation					
At July 1, 2022	136,064,246	55,666,785	194,607,271	98,161,391	484,499,693
Additions	-	7,944,600	104,907,893	5,889,910	118,742,403
Revaluation/Adjustment	101,000,000				101,000,000
Transfer from Investment Property	137,895,754				137,895,754
Disposals		(13,409,970)	-	-	(13,409,970)
At June 30, 2023	**374,960,000**	**50,201,415**	**299,515,164**	**104,051,301**	**828,727,879**
Depreciation					
At July 1, 2022	-	36,196,436	157,266,930	86,059,590	279,522,957
Charge for the year		4,141,143	4,652,216	4,736,953	13,530,312
Eliminated on disposal		(11,631,731)	275,060		(11,356,671)
At June 30, 2023	**-**	**28,705,849**	**162,194,206**	**90,796,543**	**281,696,598**
Net book value at June 30, 2023	**374,960,000**	**21,495,566**	**137,320,957**	**13,254,758**	**547,031,282**

Notes To The Financial Statements (Continued)

Property, Plant and Equipment (Continued)

2022	Buildings & civil works	Motor vehicles	Office equipment, furniture & fittings	Computer Hardware	Total
Cost or valuation					
As At 1st July 2021	78,500,000	46,506,784	192,325,942	94,157,497	411,490,224
Additions		9,160,000	2,281,329	4,003,894	15,445,223
Revaluation/ Adjustment	57,564,246				57,564,246
Disposals					
As At 30th June 2022	**136,064,246**	**55,666,785**	**194,607,271**	**98,161,391**	**484,499,693**
Depreciation					
At July 1, 2021		30,277,053	152,587,084	78,470,500	261,334,637
Charge for the year		5,919,383	4,679,846	7,589,091	18,188,320
Impairment loss					
Eliminated on disposal					
As At 30th June 2022	-	**36,196,436**	**157,266,930**	**86,059,590**	**279,522,957**
Net book value At June 30, 2022	**136,064,246**	**19,470,348**	**37,340,340**	**12,101,801**	**204,976,736**

The building under PPE is the portion of Uchumi house occupied by KDC as office space

Valuation:
Land and buildings were valued by the Corporations internal valuer on a market value basis of valuation. These amounts were adopted on 30th June 2023.

Notes To The Financial Statements (Continued)

19. Intangible Assets

Description	2022/2023	2021/2022
	Kshs	**Kshs**
Cost		
At July 1	133,566,741	97,435,811
Additions	5,453,819	36,130,930
Disposals	(15,932,263)	
At June 30	**123,088,297**	**133,566,741**
Amortisation		
At July 1	110,468,268	95,615,350
Charge For The Year	6,765,299	14,852,918
Disposals	(15,932,263)	
Impairment Loss		
At June 30	**101,301,304**	**110,468,268**
Net Book Value At June 30	**21,786,993**	**23,098,473**

System software constitutes the intangible assets

20. Investment Property

Description	2022/2023	2021/2022
	Kshs	**Kshs**
Opening Valuation	8,132,017,094	7,274,083,216
Movements During The Year		
Additions		2,858,124
Disposals	(45,250,000)	(51,500,000)
Fair Value Gains/(Losses)	18,411,676	906,575,754
Transfer to PPE	(137,895,508)	-
Closing Valuation	**7,967,283,262**	**8,132,017,094**

These include land and buildings owned by the corporation valued as at 30th June 2023 by the certified internal registered and practising valuer as per IAS 40; these investments are carried at FVTPL, the valuation methodology used was comparable sales analysis method adjusted at a rate of 10%.

21. Quoted Investments

Description	2022/2023	2021/2022
	Kshs	**Kshs**
B/f Valuation	1,521,924,278	2,695,405,311
Movements during the year		
Fair value gains/(losses) (FVTPL)	(93,612,857)	(1,173,481,033)
Provisions		
C/f Valuation	**1,428,311,421**	**1,521,924,278**

The downward revaluation of the equity investments was caused by the general depressed prices of stocks on the Nairobi Securities Exchange. The investments involved are Centum Investments PLC in which the Corporation holds a 22.9% shareholding and Eveready East Africa in which the Corporation has a 17% shareholding.

Name of entity where investment is held	No of shares					
	Direct shareholding	**Indirect shareholding**	**Effective shareholding**	**Nominal value of shares/purchase price**	**Fair value of shares Current year**	**Fair value of shares for prior year**
	No	**No**	**No**	**No**	**Kshs**	**Kshs**
Centum Investments Co. Ltd.	152,847,897		152,847,897	9.78	1,375,631,073	1,494,852,433
Eveready Batteries Kenya Ltd.	36,583,575		36,583,575	0.74	52,680,348	27,071,846
Uchumi Supermarkets Ltd.	7,288,472		7,288,472	4.70	-	-
					1,428,311,421	**1,521,924,278**

Valuation method is through the stock exchange share price as at 30th June 2023. However, the investment in Uchumi Supermarkets has been full impaired as the company is largely not in operation.

Notes to the Financial Statements (Continued)

22. Unquoted Investments

Description	*Insert Current FY*	*Insert Comparative FY*
	Kshs	**Kshs**
Cost		
At July 1	19,025,839,913	15,718,199,789
Additions	3,667,775.00	
Additions due to Conversion	28,951,099.00	
Fair value gains/(losses)	(787,098,398)	3,307,640,124
Disposals		
At June 30	**18,271,360,389**	**19,025,839,913**
IMPAIRMENT		
At July 1	744,022,143	524,971,735
Disposals		
Impairment loss in the year	(944,844)	219,050,408
At June 30	743,077,299	744,022,143
NET BOOK VALUE	**17,528,283,089**	**18,281,817,769**

The valuation methodologies used for unquoted investments are net asset value, comparable price to book value multiple, recent price as per valuation and EBDITA multiple approach

Notes To The Financial Statements (Continued)

Name of entity where investment is held	No of shares						
	Direct shareholding	Indirect shareholding	Effective shareholding	Nominal value of shares/ purchase price	% Shareholding By KDC	Value of shares less impairment Current year	Value of shares less impairment Prior year
	No	No	No	Kshs		Kshs	Kshs
Minet Kenya Insurance Brokers Ltd.	309,140	-	309,140	4,298	20.00%	1,328,679,100	1,310,681,890
Minet Kenya Financial Services Ltd	119,946	-	119,946	110	16.14%	13,199,297	14,582,544
Development Bank of Kenya Ltd.	46,551,750	-	46,551,750	61	16.14%	2,818,049,146	2,896,892,150
Funguo Investments Ltd.	11,060,543	-	11,060,543	35	18.73%	385,311,669	295,410,978
Isuzu EA Ltd	313,500	-	313,500	9,594	20.00%	3,007,768,026	3,186,644,420
IDB Capital Ltd.	1,735,500	-	1,735,500	15	4.29%	26,032,500	26,032,500
Almasi Beverages Limited	369,011,278	-	369,011,278	12	31.57%	4,387,169,324	4,215,430,100
KWA Holdings E.A. Ltd. (KWAL)	44,555,036	-	44,555,036	76	43.77%	3,381,633,015	4,108,125,083
Two Rivers Development Limited	56	-	56	3,541,344	2.80%	198,315,236	260,501,668
International Hotel (Kenya) Ltd	1,725,777	-	1,725,777	493	40.58%	850,639,655	850,639,655
Kenya Hotel Properties (Intercon. NBI) Ltd	5,880,307	-	5,880,307	20	33.83%	117,603,012	117,603,012
Golf Hotel Ltd	241,734	-	241,734	2,107	80.00%	509,353,122	607,957,322
Bomas of Kenya Ltd	253,999	-	253,999	20	100.00%	5,080,000	5,080,000
Kenya Safari Lodges & Hotels Ltd	4,161,855	-	4,161,855	11	82.45%	45,001,281	44,806,699

Fresh pick Processors (EPZ) Limited	570	-	570	392,520	57.00%	223,736,124	191,117,250
Consolidated Bank	1,040,000	-	1,040,000	4	0.56%	4,392,545	6,222,910
African Import Export Bank	12	-	12	18,860,003	0.04%	226,320,035	144,089,587
						17,528,283,089	**18,281,817,769**

23. Loans Receivable

a) Current Loan Portfolio

	2023	2022
Item	**Amount (Ksh)**	**Amount (Ksh)**
Commercial Loans	6,732,940,878	6,063,106,911
Staff Loans	322,492,257	316,126,646
Unit Debtors Tourism	178,848,088	174,598,088
Interest on deposit Receivable IDB	2,054,541	2,054,541
Total	7,236,335,764	**6,555,886,186**
Provision	(1,611,083,053)	(1,417,047,595)
Net Loans	**5,625,252,710**	**5,136,784,050**

The current loan portfolio comprises of loans advanced to customers after 2009 and is actively being serviced. The impairment losses on the loans have been made in line with the provisions of IFRS9.

b) Legacy Loan Portfolio

	2023	2022
Item	**Amount (Ksh)**	**Amount (Ksh)**
Non-Performing Loans (NPL)	31,833,529,713	31,863,544,945
Provision	(31,833,529,713)	(31,863,544,945)
Net Loans	-	-

The legacy loan portfolio relates to loans advanced to customers from the 1960's through to 2009. The principal sum advanced was Ksh1.2billion which has accumulated to the current balance of Ksh31.8billion due to interest accrual. The portfolio is considered unrecoverable and has been fully provided for. Arrangements to are being made to have it written off from the books in line with the provisions of the PFM Act 2015.

24. Inventories

Description	2022/2023	2021/2022
	Kshs	**Kshs**
Stationery	4,792,033	2,379,906
General supplies	677,909	1,217,703
Less: Impairment of Stocks	-	-
Total	**5,469,943**	**3,597,609**

25. Trade and Other Receivables

Description	2022/2023	2021/2022
	Kshs	**Kshs**
Dividends receivable	320,616,177	393,284,281
Leases receivable	537,702,022	511,318,785
Interest receivable on Fixed Deposits	25,499,239	19,454,645
Deposits and prepayments	2,708,090	2,561,260
Staff receivables - note 25(c)	4,887,720	3,874,857
Other receivables	220,843,852	216,945,385
Gross trade and other receivables	**1,112,257,100**	**1,147,439,213**
Provision for bad and doubtful receivable - note 25(b)	(552,219,771)	(416,690,101)
Net trade and other receivables	**560,037,329**	**730,749,112**

25 (a) Trade Receivables

Description	2022/2023	2021/2022
	Kshs	**Kshs**
Gross Trade Receivables	1,112,257,100	1,147,439,211
Provision for Doubtful Receivables	(552,219,771)	(416,690,101)
Net Trade Receivables	**560,037,329**	**730,749,110**
ageing analysis of gross Trade Receivables		
Less than 30 Days	17,280,023	28,525,943
Between 30 and 60 Days	427,114,073	511,318,785
Between 61 and 90 Days	19,938,488	32,914,549
Between 91 and 120 Days	33,230,814	54,857,581
Over 120 Days	62,473,930	103,132,253
Total	**560,037,329**	**730,749,110**

Notes to the Financial Statements (Continued)

25 (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2022/2023	2021/2022
	Kshs	**Kshs**
At the beginning of the year	416,690,101	416,690,101
Additional provisions during the year	135,529,670	
Recovered during the year		
Written off during the year		
At the end of the year	**552,219,771**	**416,690,101**

25(c) Staff Receivables

Description	2022/2023	2021/2022
	Kshs	**Kshs**
Staff imprest	4,887,720	3,874,857
Provision for impairment loss		
Net staff imprest	4,887,720	3,874,857
Less: Amounts due within one year	4,887,720	3,874,857
Amounts due after one year	0	0

This is staff imprest not yet surrendered as at 30th June 2023

Notes To The Financial Statements (Continued)

26. Tax Recoverable

Description	2022/2023	2021/2022
	Kshs	**Kshs**
At beginning of the year	90,811,894	90,811,894
Income tax charge for the year (Note 13)		
Under/(Over) Provision in prior year (Note 13)		
Income tax paid during the year		
At end of the year	90,811,894	90,811,894

[Recoverable Corporate tax Ksh.54M from former ICDC and recoverable WHT of 36M from former IDB]

27. Short Term Deposits

Description	2022/2023	2021/2022
	Kshs	**Kshs**
Other Commercial Banks		
Development Bank of Kenya Ltd	330,315,960	121,016,389
KCB Bank Limited	1,197,887,324	1,713,199,999
Co-operative Bank of Kenya	1,065,051,017	690,969,853
National Bank of Kenya	548,382,054	508,549,487
NCBA Bank	75,209,521	70,797,766
KCB- Privatization Proceeds Ac		
Total	**3,216,845,876**	**3,104,533,494**

The average effective interest rate on the short term deposits as at June 30, 2023 was 10.8%(2022: 8.5 %).

28. Bank and Cash Balances

Description	2022/2023	2021/2022
	Kshs	**Kshs**
Cash at bank	102,079,097	49,692,063
Cash in hand	172,788	290,870
Total	**102,251,885**	**49,982,933**

The bulk of the cash at bank was held at Corporative Bank of Kenya and Kenya Commercial Bank, the entity's main bankers.

Notes To The Financial Statements (Continued)

Detailed analysis of the cash and cash equivalents

Description		2022/2023	2021/2022
Financial institution	**Account number**	**Kshs**	**Kshs**
a) **Current Account**			
KCB Main Ac	1108982255	4,269,577	2,573,241
ICDC NCBA Ac	6526170014		277,994
ICDC Rent Ac - Co-op Bank	1136308009900		303,074
KDB Merger Cash Account	1252913540	52,028	52,028
KCB Main Account	1104821397		145,206
KCB Loan Fund	1123183503		2,685,477
KCB Loan Intrest	1123183805		120
NBK (Kshs)	01001006115500		83,664
NBK (Usd)	02001006115500		1,412
KCB- Privatization Proceeds Ac	1164956744		32,216
NCBA-Current Account	6432320013		1,503,731
KCB Operations Account	1288537816	18,243,175	16,125,228
KCB Tourism Fund Account	1288537956	29,668,189	2,035,194
KCB Privatization Proceeds Account	1288538030	122,859	95,506
National Bank -Kdc	01070239425500	629,464	640,984
National Bank -Usd - Kdc	02070239425500	3,453,359	2,454,384
KDC Rent Account - Co-Op Bank	01141733817600	26,247,500	11,996,925
KDC NCBA Ac - KES	5148780018	19,069,998	7,302,684
KDC NCBA Ac - USD	5148780023	322,949	1,382,997
Sub- Total		**102,079,097**	**49,692,065**
b) On - Call Deposits			
Other Commercial banks			
Sub- Total			
c) **Fixed Deposits Account**			
Development Bank of Kenya Ltd		330,315,960	121,016,389

Description		2022/2023	2021/2022
Financial institution	**Account number**	**Kshs**	**Kshs**
KCB Bank Limited		1,197,887,324	1,713,199,999
Co-operative Bank of Kenya		1,065,051,017	690,969,853
National Bank of Kenya		548,382,054	508,549,487
NCBA Bank		75,209,521	70,797,766
Sub- Total		**3,216,845,876**	**3,104,533,494**
d) Staff Car Loan/ Mortgage			
Other Commercial banks			
Sub- Total			
e) Others (Specify)			
Cash in transit			
Cash in hand		172,788	290,870
Sub- Total		**172,788**	**290,870**
Grand Total		**3,319,097,761**	**3,154,516,427**

Notes To The Financial Statements (Continued)

29. Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

30. Fair Value Adjustment Reserve

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

31. Retained Earnings

The retained earnings represent amounts available for distribution to the entity's shareholders. Undistributed retained earnings are utilised to finance the entity's business activities.

32. Ordinary Share Capital

Description	2022/2023	2021/2022
	Kshs	**Kshs**
Authorized:		
20,000,000,000 Ordinary Shares of Ksh 5 par value each	100,000,000,000	100,000,000,000
Issued and Fully paid:		
Ordinary Share Capital of Ksh par value each	936,807,234	936,807,234

Kenya Development Corporation was incorporated on 27th November 2020 with an authorized share capital of Ksh100,000,000,000 divided into 20,000,000,000 shares of Ksh5 par value each. The process of restructuring the balance sheet and create a share capital out of the reserves is ongoing. The amount of share capital recognized in the books is the share capital and equity funds carried over from the three former DFI's.

33. Grant

This fund refers to grants that have over the years been received from the Government of Kenya (GOK) by the Corporation. The GOK grant received by the Corporation is development in nature and is utilized in loan disbursement to borrowers in fulfilment of the Corporation's core mandate of financing tourism related projects.

The schedule is as below:

GOK Grant	2022/2023	2021/2022
	Kshs	**Kshs**
GOK Grant received 2004/2005 FY	5,472,200	5,472,200
GOK Grant received 2009/2010 FY	400,000,000	400,000,000
GOK Grant received 2010/2011 FY	300,000,000	300,000,000
GOK Grant received 2011/2012 FY	78,000,000	78,000,000
GOK Grant received 2012/2013 FY	60,000,000	60,000,000
GOK Grant received 2013/2014 FY	14,250,000	14,250,000
GOK Grant received 2016/2017 FY	375,000,000	375,000,000
GOK Grant received 2017/2018 FY	75,000,000	75,000,000
GOK Grant received 2020/2021 FY	2,204,264,050	2,204,264,050
Balance of grant fund as at 30th June	**3,511,986,250**	**3,511,986,250**

Notes to the Financial Statements (Continued)

34. Borrowings

Description	2022/2023	2021/2022
	Kshs	**Kshs**
a) External borrowings		
Balance at beginning of the year	464,648,899	427,859,959
External borrowings during the year	46,951,233	18,629,941
Adjustment		
Repayments of during the year		-
Interest for the year	19,793,883	18,159,000
Balance at end of the year	**531,394,015**	**464,648,899**
b) Domestic borrowings		
Balance at beginning of the year	891,571,279	907,907,987
Domestic borrowings during the year		
Repayments during the year	(45,484,050)	(42,916,630)
Interest during the year	25,299,194	26,579,923
Balance at end of the year	**871,386,423**	**891,571,279**
Balance at end of the period- domestic and external borrowings c = a+b	**1,402,780,438**	**1,356,220,179**

The analyses of both external and domestic borrowings are as follows:

Description	2022/2023	2021/2022
	Kshs	**Kshs**
External borrowings		
Dollar denominated loan from Exim Bank India	531,394,015	464,648,899
Domestic borrowings		
Kenya Shilling loan from GOK Revolving Fund	48,000,000	48,000,000
Kenya Shilling loan from GOK	263,886,423	299,071,279
Kenya Shilling loan from GOK onward lending to DBK	559,500,000	544,500,000
Total balance at end of the year	**1,402,780,438**	**1,356,220,179**

Loan Terms

The Ksh.48m loan is a non- redeemable GOK revolving fund while the Kshs264m is a restructured loan repayable in 9 years at a rate of 3.64% p.a. The Kshs 560m is a facility obtained from The National Treasury at a rate of 3% p.a for a period of 10 years for on-lending to Development Bank of Kenya. The Exim Bank loan is a draw down facility advanced for a period of 20 years at a rate of 4% with a grace period of 5 years from the date of first disbursement.

Description	2022/2023	2021/2022
	Kshs	**Kshs**
Short term borrowings (Current Portion)	88,959,043	46,764,779
Long term borrowings	1,313,821,395	1,309,455,400
Total	**1,402,780,438**	**1,356,220,179**

35. Deferred Tax Liability

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

Description	2022/2023	2021/2022
	Kshs	**Kshs**
Accelerated capital allowances		
Unrealised exchange gains/(Losses)		
Revaluation surplus	8,901,708	8,901,708
Tax losses carried forward		
Provisions for liabilities and charges		
Net deferred tax liability	**8,901,708**	**8,901,708**

The movement on the deferred tax account is as follows:

Description	2022/2023	2021/2022
	Kshs	**Kshs**
Balance at beginning of the year	8,901,708	8,901,708
Credit to revaluation reserve		
Under Provision in Prior Year		
Income Statement Charge/(Credit)		
Balance at end of the year	8,901,708	8,901,708

36. Deferred Income

Description	2022/2023	2021/2022
	Kshs	**Kshs**
Zamia heights	17,209,491	13,367,091
Oceania	20,054,053	16,904,050
Total Deferred Income	**37,263,543**	**30,271,141**

The deferred income movement is as follows:

Description	Zamia and Oceania Deposits
	Kshs
Balance Brought Forward	**30,271,141**
Additions	52,242,403
Realized income	(45,250,000)
Balance Carried Forward	**37,263,543**

37. Trade and Other Payables

Description	2022/2023	2021/2022
	Kshs	Kshs
Trade payables	7,125,113	10,219,726
Accrued expenses	87,647,065	114,883,928
Accrued Contingent Liability	36,800,567	36,800,567
Deposits	82,287,875	79,268,915
Provision for Gratuity- note 37(a)	42,157,387	44,260,807
Provision for Leave pay - note 37(a)	14,112,416	14,123,333
Other payables	21,290,557	16,812,145
Accrued Interest Payable-Exim LOC	66,466,328	46,672,446
Loans with credit balances	18,626,813	11,827,040
Total	**376,514,122**	**374,868,909**

	Insert Current FY	% of the total	Insert Comparative FY	% of the total
Under one year	216,348,601	56%	241,948,755	65%
1-2 years	82,287,875	22%	79,268,915	21%
2-3 years	77,877,646	21%	53,651,239	14%
Over 3 years		0%		0%
Total	**376,514,122**		**374,868,909**	

Aging Analysis for Trade and other Payables

37 a) Provisions

Description	Leave Provision	Gratuity provisions	Total
	Kshs	Kshs	Kshs
Balance at the beginning of the year	14,123,333	44,260,807	58,384,141
Additional provisions	1,270,605	17,876,708	19,147,313
Provision utilised	(1,281,523)	(19,980,129)	(21,261,652)
Balance at the end of the year	**14,112,415**	**42,157,387**	**56,269,802**

38. Retirement Benefit Obligations

Retirement benefit Asset/ Liability

Other than NSSF Kenya Development Corporation operates a defined contribution scheme for all permanent and pensionable employees from July 1, 2021. The scheme is administered by Minet Financial Services Limited while ICEA, Co-op Trust and UAP Old Mutual are the fund managers of the schemes. The employees contribute 9% percentage of salary while the employer contributes 18% of an employee's salary to the scheme. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

The Corporation also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. 1,080 per employee per month.

39. Dividends Payable

The balance of dividends payable relates to unclaimed dividends, payable to different shareholders. The balances are analyzed in annual amount below.

Description	2022/2023	2021/2022
	Kshs	**Kshs**
At the beginning of the year	-	-
Additional declared during the year	1,000,000	10,538,000
Paid during the year	(1,000,000)	(10,538,000)
Balance at end of the year	**-**	**-**
Ageing analysis:		
Under one year		
1-2 years		
2-3 years		
Over 3 years		
Total		

(Dividends payable to ordinary shareholders amounts to Ksh. 1,000,000, the Corporation has no preference shareholders).

Notes to the Financial Statements (Continued)

40. Notes to the Statement of Cash Flows

Description	2022/2023	2021/2022
	Kshs	Kshs
(a) Reconciliation Of Operating Profit/(Loss) To Cash Generated From/ (Used In) Operations		
Profit or Loss before tax	538,807,937	1,004,279,266
Depreciation	13,530,312	18,188,320
Amortisation	6,765,299	14,852,918
(Gain)/Loss on disposal of Property, Plant And Equipment		
Operating Profit/(Loss) before Working Capital changes		
Provisions made	(944,844)	219,050,408
Unrealized gain on revaluation of investment property	(18,411,921)	906,575,754
Gains on Disposal of Assets	(5,926,760)	
Increase/(Decrease) in Trade and Other Payables		
Increase/(Decrease) in Provision for Staff Leave Pay		
Cash Generated from/(used In) operations	**533,820,022**	**349,795,158**
Net Movement in Loans and Advances	(585,657,960)	(415,929,552)
Increase/(Decrease) in Deferred revenue	6,992,403	2,067,201
Increase/(Decrease) in creditors	1,645,212	(120,262,517)
Increase/(Decrease) in debtors	345,076,461	1,073,898,870
Increase)/(Decrease) in subsidiary companies current accounts	-	98,111
Cash generated from/(used in) operations	**301,876,137**	**889,569,160**
Analysis of Changes in Loans		
(b) Balance at beginning of the year	**1,356,220,179**	**1,368,129,541**
Receipts during the year	46,951,233	(9,883,505)

Description	2022/2023	2021/2022
	Kshs	**Kshs**
(c) Analysis of interest paid		
Interest on loans	45,093,077	44,738,922
Balance at beginning of the year	44,500,000	29,500,000
Balance at end of the year (note 35(b))	59,500,000	44,500,000
Interest paid	10,299,194	11,579,923
(d) Analysis of Dividend paid		
Balance at beginning of the year	-	-
2019 dividends paid		5,880,200
2020 dividends paid		50,000,000
2022 interim dividends paid		10,538,000
2023 dividends paid	1,000,000	
Dividend paid	1, 000,000	10,538,000

Repayments during the year	(45,484,050)	(46,764,779)
Accrued interest	45,093,077	44,738,922
Balance at end of the year	**1,402,780,438**	**1,356,220,179**
Analysis of Cash and Cash equivalents		
Short Term Deposits	3,216,845,876	3,104,565,710
(e) Cash At Bank	102,079,097	49,659,847
Cash In Hand	172,788	290,870
Balance At End Of The Year	**3,319,097,761**	**3,154,516,427**

41. Related Party Disclosures

Government of Kenya

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

Other related parties include:

i) The National Treasury and Planning
ii) Ministry of Investment, Trade and Industry
iii) Ministry of Tourism and Wildlife
iv) Investee Companies
v) Key management
vi) Board of directors

Notes to the Financial Statements (Continued)

Transactions with related parties

Description	2022/2023	2021/2022
	Kshs	**Kshs**
a) Sales to related parties		
Sales of electricity to govt agencies		
Rent income from govt. agencies	131,145,915	125,631,610
Water sales to govt. agencies		
Interest income from govt commercial banks		
Interest income from bills and bonds		
Others (*specify*)		
Total	131,145,915	125,631,610
b) Purchases from related parties		
Purchases of electricity from KPLC	29,827,210	25,449,308
Purchase of water from govt service providers	3,397,626	3,419,267
Rent expenses paid to govt agencies		
Training and conference fees paid to govt. Agencies		
Bank charges paid to govt commercial banks		
Interest expense to investments by other govt. Entities		
Others (*specify*)		
Total	**33,224,836**	**28,868,575**
c) Key management compensation		
Directors' emoluments	20,250,688	21,612,181
Compensation to key management	128,239,508	110,551,300
Total	**148,490,196**	**132,163,481**

42. Capital Commitments

Capital commitments at the year- end for which no provision has been made in these financial statements are:

Description	2022/2023	2021/2022
	Kshs	Kshs
Amounts authorised and contracted for	65,930,109	167,081,283
Amounts authorized but not contracted for	20,679,542	42,110,355
Less: Amounts included in Work In Progress	-	-
Total	**86,609,651**	**209,191,638**

43. Contingent Assets and Liabilities

Contingent Liabilities

Description	2022/2023	2021/2022
	Kshs	Kshs
Contingent Liability		
Court cases against the entity	394,731,545	57,724,817
Bank guarantees in favour of subsidiary	50,000,000	37,500,000
Others- Bank guarantees in favour of customers	36,000,000	36,000,000
Letters of Credit in favour of customers	-	66,100,000
Exim balance USD 139,200.85	-	17,400,106
Total	**480,731,545**	**214,724,923**

In the opinion of the directors, no provision is required in these financial statements as the liabilities are not expected to crystallize

Notes To The Financial Statements (Continued)

44. Financial Risk Management

The Corporation's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company'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 company 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 company'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.

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

Notes to the Financial Statements (Continued)

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2023				
Receivables from exchange transactions				
Receivables from non-exchange transactions	39,069,942,473	5,625,252,710		33,444,612,767
Bank balances	3,319,097,761	3,319,097,761		11,283,143
Total	**42,389,040,234**	**8,824,284,726**	**0**	**33,455,895,910**
At 30 June 2022				
Receivables from exchange transactions				
Receivables from non-exchange transactions	38,417,273,467	5,136,784,050	-	33,280,489,417
Bank balances	3,154,516,427	3,154,516,427	-	0
Total	**41,571,789,894**	**8,291,300,477**	**0**	**33,280,489,417**

Ksh. 4,852,296,043 long term and Ksh. 652,890,922 receivables within one year as at 30th June 2023

	2023	2022
Item	**Amount (Ksh)**	**Amount (Ksh)**
Commercial Loans	6,732,940,878	6,063,106,911
Staff Loans	322,492,257	316,126,646
Unit Debtors Tourism	178,848,088	174,598,088
Interest on deposit Receivable IDB	2,054,541	2,054,541
Total	7,236,335,764	**6,555,886,186**
Provision	(1,611,083,053)	(1,417,047,595)
Net Loans	**5,625,252,710**	**5,136,784,050**

	2023	2022
Item	**Amount (Ksh)**	**Amount (Ksh)**
Non-Performing Loans (NPL)	31,833,529,713	31,863,544,945
Provision	(31,833,529,713)	(31,863,544,945)
Net Loans	-	-

Credit Risk (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Corporation has significant concentration of credit risk on amounts due from xxx.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

		Year ended 30 June 2023		
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	KSh	KSh	KSh	KSh
Loans and advances to customers at amortised cost;				
Grade 1: Normal	2,531,130,990			**2,531,130,990**
Grade 2: Watch		953,898,297		**953,898,297**
Grade 3: Substandard			266,771,752	**266,771,752**
Grade 4: Doubtful			298,707,798	**298,707,798**
Grade 5: Loss			35,019,356,639	**35,019,356,639**
Total gross carrying amount	**2,531,130,990**	**953,898,297**	**35,584,836,189**	**39,069,865,477**
Loss allowance	(104,488)	(59,274)	(33,444,449,005)	**(33,444,612,767)**
Carrying amount	**2,531,026,503**	**953,839,023**	**2,140,387,184**	**5,625,252,710**

Notes to the Financial Statements (Continued)

ii) Liquidity risk management

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

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade payables	131,053,368	172,448,193	73,012,561	**376,514,122**
Current portion of borrowings			45,484,050	**45,484,050**
Provisions				**0**
Deferred income			37,263,543	**37,263,543**
Total	**131,053,368**	**172,448,193**	**155,760,155**	**459,261,715**
At 30 June 2022				
Trade payables	177,604,859	115,443,798	81,820,251	**374,868,909**
Current portion of borrowings			45,484,050	**45,484,050**
Provisions				**0**
Deferred income			30,271,141	**30,271,141**
Total	**177,604,859**	**115,443,798**	**157,575,442**	**450,624,100**

Notes To The Financial Statements (Continued)

(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 company'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 entity's exposure to market risks or the manner in which it manages and measures the risk.

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

a) 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 company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

i) Management of interest rate risk

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

ii) Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 7,369,740. (2022: Kshs 5,453,236). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 22,385,681 (2022 – KShs 27,266,180)

iii) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *Corporation's* market assumptions. These two types of inputs have created the following fair value hierarchy:

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

Notes to the Financial Statements (Continued)

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

At 30 June 20xx	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
Financial assets				
Quoted equity investments	1,428,311,421			1,428,311,421
Unquoted equity investments			17,528,283,089	17,528,283,089
Non- financial Assets				
Investment property			7,967,283,262	7,967,283,262
Land and buildings				
At 30 June 20xx	**1,428,311,421**		**25,495,566,351**	**26,923,877,772**
Financial assets				
Quoted equity investments	1,521,924,278			1,521,924,278
Unquoted equity investments			18,281,817,769	18,281,817,769
Non- financial assets				
Investment property			8,132,017,094	8,132,017,094
Land and buildings				
	1,521,924,278		**26,413,834,864**	**27,935,759,142**

There were no transfers between levels 1, 2 and 3 during the year.

Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

Notes to The Financial Statements (Continued)

iv) Capital Risk Management

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

Description	2022/2023	2021/2022
	Kshs	Kshs
Revaluation reserve	990,771,035	889,771,035
Fair Value Reserves	16,386,663,566	17,267,374,821
Retained earnings	13,398,142,468	12,903,869,852
Share Capital	936,807,234	936,807,234
Grant	3,511,986,250	3,511,986,250
Total funds	**35,224,370,553**	**35,509,809,192**
Total borrowings	1,402,780,438	1,356,220,179
Less: cash and bank balances	(3,319,097,761)	(3,154,516,427)
Net debt/ (excess cash and cash equivalents)	1,916,317,323	1,798,296,249
Gearing	3.98%	3.82%

45. Incorporation

Kenya Development Corporation is incorporated in Kenya under the Companies Act 2015 and is domiciled in Kenya.

46. Events after the Reporting Period

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

20. Appendices

Appendix 1: Implementation Status of Auditor-General prior year recommendations

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

Reference No. on the external audit Report	**Issue / Observations from Auditor**	**Management comments**	**Status:** ***(Resolved / Not Resolved)***	**Timeframe:** ***(Put a date when you expect the issue to be resolved)***
	The statement of financial position reflects trade and other receivables amount of Ksh. 1,055,856,671 which includes debtors totalling to Ksh 228,650,735 which relate to financial year 2019/2020 and prior years. However, no recovery has been made from the debtors, an indication that the Management has not put in place adequate mechanisms to recover the debts. Further, review of sampled files for ex-tenants revealed that furniture and equipment held as security were auctioned but the proceeds were not sufficient to offset	"The investee hotels are still within the privatization programme and its expected that the corporation will recover from proceeds of the sale. The process is at due diligence and the reports were tabled to the privatization technical committee on 23rd February 2023. The process will continue	Not Resolved	30th June 2024

	the rental debts' in the circumstances, the existence of a vibrant mechanism and an effective debt policy to ensure recovery of the debts could not be established.	to The National Treasury and Cabinet before actual sale process begins. Since the hotels are not operational; the corporation has no other means to recover the debts. This process is not within management control but it will continue to work with other stakeholders in order to resolve the matter.		
	As reported in the prior year, Audit review of the Corporation's inventory of investments in properties indicated that during the year under review, the Board of Directors revised downwards the sale prices for one of its housing projects, Zamia Heights, with a view to increasing demand for the units. As at 30 June, 2021, 11 out of 28 or 39% of Zamia Heights units completed in 2015 and 29 out of 36 or 81% of the units of Oceania	As at 30th June 2022, 3 more units in Zamia had been sold while 5 more units in Oceania has been sold. The current adverse local and global economic environment has made it more difficult to sell the units but management has	Not resolved	30th June 2024

	Apartments completed in 2018 had not been sold. Records indicated that the Corporation incurs an average of Kshs.10 million each year to maintain the unsold units. The Corporation valued the remaining Zamia and Oceania units at Kshs.157,000,245 and Kshs.450,739,955 respectively as at 30 June, 2021. In view of the delay in the sale of a significantly large portion of the units in each of the two projects and the high costs incurred on their maintenance, the Corporation is yet to realize profit on the money invested in the projects.	put in place measures to fast track the sales including enlisting the support of selling agents and enhanced marketing efforts through various channels.		
IDB 1	The auditor noted that of the Ksh.922,837,000 in respect of loans and advances to customers Ksh.283,996,000 was not secured with collateral that is readily realizable and marketable, adequate to cover exposure plus a reasonable margin and free of any encumbrances. Further, loans amounting to Ksh.327,303,000 were overdue as at 30 June, 2021 out of which loans amounting to Ksh.315,275,000 were used to procure	The Corporation has developed a loans policy that ensures that all loans are adequately secured with security that is realizable. The policy also requires that the security offered be fully insured and the Corporation's interest noted as a first loss payee.	Resolved	

	machinery that was offered as security for loans, but were not insured as per Section 10.6 of the credit policy which requires that all insurable assets held by IDB as collateral to be insured at all times during the tenure of the loan for an amount equivalent to their replacement value or value and IDBs interest note on the policy.			
	The statement of financial position for the year ended 30 June 2021 reflects net Loans amount of Ksh.1,023,433,852. Included in the reported amount are loans totalling Ksh. 1,170,637,452 inclusion of provisions which have been delinquent for a period more than one (1) year. Although the recovery process is in progress, the management of the corporation has not employed adequate effort towards recovery of the loans since some cases of auctioning property held as security have been in court for more than five (5) years. In the circumstance the recoverability of the amounts could not be confirmed.	**Recommendation** Employ adequate effort towards recovery of the NPLs. The Corporation has made efforts and has collected Ksh.48.2 million from the accounts although interest accrual has continued in some of the accounts. The Corporation has entered into negotiations with some of the borrowers on some acceptable repayment arrangements while in other cases the process of	Not resolved Not resolved	Continuous

		selling the securities will continue to be pursued. Our legal teams are also pursuing finalization of cases in court which hinder us from selling the securities.		
ICDC	The statement of profit or loss and other comprehensive income reflects administrative costs of Ksh. 750,893,416, as disclosed in Note 10 to the financial statements. Included in this figure are other operating expenses of Ksh. 197,383,214, which further includes Ksh. 30,682,184 that relates to allowances paid to members of the inter-agency taskforce on merging of ICDC, IDB Capital and Tourism Finance Corporation, into Kenya Development Bank. Available information indicates that the Salaries and Remuneration Commission (SRC) vide letter Ref: SRC/TS/AG/3/37 VOL.VIII dated 30 July 2020, approved payment of allowances to members of the inter-agency taskforce, for a maximum of 15 days per	The Head of Public Service vide a letter Ref OP/CAB/9/1/5 dated 2nd October 2020 directed that the merger process be revived and for the merger implementation committee to fully implement the merger process. The payment of the allowances to the members of the Inter-Agency task force was done on instruction from The National Treasury who were coordinating the exercise.	Not Resolved	31st December 2023.

	month for six months, at specified rates based on level of responsibility, for the financial year 2019/2020. Further, the Principal Secretary, National Treasury vide letter Ref: ZZ/37/014 dated 30 January 2020 extended the appointments of the members of the taskforce to 31 July 2020. The taskforce was in operation for hundred and eighty (180) days, which was double the duration approved by SRC. The members of the taskforce continued in operation from August 2020 to June 2021 (FY 2020-2021) and were paid allowances totalling Ksh. 12,833,900 for that period without approval by SRC. In addition, there was no evidence of extension of appointment for the taskforce members for this period.	Management will engage The National Treasury with a view of having the expenditure ratified.		
	The financial statements under personnel costs reflects staff group life and personal accident cover expenditure of ksh.8,473,643 for the year ended 30 June 2021. However, contract documents and insurance policy documents were not availed for audit verification.	The expenditure on group life and personal accident cover reported Ksh 8,473,643 for the current 2020/2021FY as per your observation. Management wishes to respond that Group	Resolved	

		Life Assurance and personal accident cover for the current 2020/2021FY was more than that of the previous year as it included Ksh 6,766,560 as Death-In-Service Benefits that were accrued in the current year 2020/2021FY. A copy of the standing Staff Group Life policy from which annual premiums are invoiced was provided		
	The administration account was overdrawn by Ksh. 705,447 without the requisite authority contrary to Section 28 (4) of the Public Finance Management Act, 2012 which states that, an Accounting Officer of a national government entity shall not cause a bank account of the entity to be overdrawn beyond the limit authorized by the National Treasury or a board of a national government entity. Consequently, Management was in breach of the law.	The bank reconciliation showed the uncleared amounts as regards the bank balance and cash balance. These were adjusted against the bank balance as reported in the reconciliation thus resulting into an overdrawn cash book balance of Ksh 705,447.89 (i.e.	Resolved	

		negative balance). The actual bank account was not overdrawn.		
	The trial balance provided for audit review had various items which ought to be treated as adjusting items such as the opening balances for cash and cash equivalents. The trial balance also reported net book values for non-current assets and depreciation separately. Further, the surplus for the year was included in the trial balance and the credit and debit column did not balance. Consequently, the inaccuracies in the trial balance casts doubts on the accuracy of the balances in the financial statements.	The Trial Balance was corrected.	Resolved	
	I draw attention to Note 43 to the financial statements, which reflects long term receivables balance of Kshs.5,136,784,050 relating to loans and advances by the Corporation to borrowers as at 30 June, 2022. The respective loan records indicated that approximately Kshs.33,280,489,417 or 87% of the Corporation's total loans portfolio estimated at Kshs.38,417,273,467 as at 30	Ksh31 billion of the total loan balance relates to a legacy portfolio which was advanced from the 1960s to the year 2009. The principal sum advanced was Ksh1.2 billion and the		30th June 2024

	June, 2022 was considered by Management as non-recoverable. Further, the Corporation has stopped accrual of interest on the loans in line with the in duplum rule which requires that interest accrued should not exceed the principal amount outstanding when the loan becomes non-performing. In addition, the securities related to some of the old non-performing loans being borrowers' ancestral lands, were reported to be missing, impaired, or irredeemable. The Board of Directors has approved full provision for the losses totaling Kshs.33,280,489,417 against the Corporation's reserves as required by International Financial Reporting Standard No.9. However, the high ratio of non-performing loans portfolio indicates that the Corporation is unable to recover most loans owed by its customers. As a result, the Corporation's capacity to lend to new borrowers and eventually attain its purpose and mandate may be constrained. My opinion is not modified in respect of this matter.	amount has accumulated due to interest accrual. The Corporation is pursuing a write-off of the amounts in line with the provisions of the PFM Act 2012.		

	Review of the Corporation's inventory of investments in properties indicates that during the year 2020-2021, the Board of Directors revised downwards the sale prices for one of its housing projects with a view to increasing demand for the units. As at 30 June, 2022, the number of unsold apartments was 8 (out of 28) and 24 (out of 36) for the Zamia Heights Apartments and Oceania Apartments respectively. This is despite completion of the apartments in July, 2015 (Zamia) and 2018 (Oceania). The Corporation therefore incurs annual maintenance costs of approximately Kshs.10 million for both locations. The value recognized by the Corporation as at year end is Kshs.145,000,000 and Kshs.450,000,000 for the Zamia and Oceania Apartments respectively both totalling Kshs.595,000,000.	The Corporation has stepped up its marketing efforts to ensure the remaining units are sold off in the shortest time possible to recoup the capital tied in the them for deployment in new projects. The units have been carried in the books at their current realizable value in the market.		30th June 2024.

	In the circumstances, the inventory held by Corporation is possibly impaired based on the slow uptake of the apartments during the year under review. The possible amount of impairment has been taken into account in these financial statements.			

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Appendix II: Reporting of Climate Relevant Expenditures

Name of the Organization: Kenya Development Corporation
Telephone Number: +254-020-2229213, 2771000
Email Address: info@kdc.go.ke
Name of DG: Norah Ratemo

Name and contact details of contact person (in case of any clarifications) … Francis k. Kariuki, Regional Forest Conservator

Project Name	Project Description	Project Objectives	Project Activities					Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
CSR	Tree planting in, Nakuru Dundori	Afforestation					335,021	Own Funds	Kenya Forest Service

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Name

Accounting Officer

Norah Ratemo

Date

For disclosures as per Appendix III.IV.V.VI, There were no activities in the reporting period.

Appendix III: Projects implemented by the State Corporation/ SAGA Funded by development partners.

Appendix IV: Transfers from Other Government Entities

Appendix V: Inter-Entity Confirmation Letter

Appendix VI: Reporting Disaster Management Expenditure