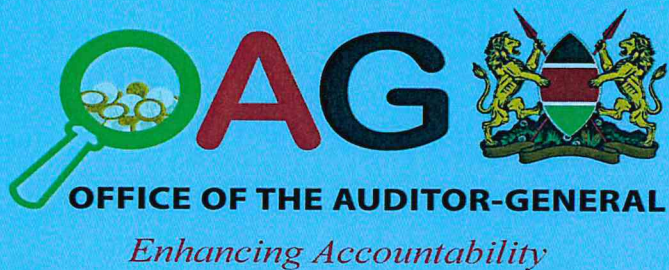


REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**EXPORT PROCESSING  
ZONES AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE, 2019**







**EPZA**  
EXPORT PROCESSING  
ZONES AUTHORITY | **KENYA**  
Your Investment & Trade Partner

## EXPORT PROCESSING ZONES AUTHORITY

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# ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDING 30<sup>TH</sup> JUNE, 2019

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







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## **I. KEY EPZA INFORMATION AND MANAGEMENT-**

### **(a) Background information**

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

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

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

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

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

### **(b) EPZA Principal Activities**

#### **Vision**

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

#### **Mission**

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

#### **Core Objectives**

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

## **KEY EPZA INFORMATION AND MANAGEMENT (Continued)**

The Authority's Key activities are:

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

### **(c) Key Management**

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

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

### **(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Chief Executive Officer	Mr. George Makateto
2.	Ag. General Manager, Commercial & Technical Services	Mr. John O.B Akara
3.	Ag. General Manager, Operations& Investor Support	Mr. Peter Wainaina
4.	Ag. General Manager, Investment & Corporate Communications	Mr. Benjamin Chesang
5.	Manager, Finance & Administration	Mr. Denis Kinyua
6.	Ag. Corporate Secretary and Manager Legal Services	Ms. Winnie Sang
7.	Ag. Manager, Human Resource& Administration	Ms. Miriam Mutuma
8.	Manager, Internal Audit	Mr. Jorum Ngunyi
9.	Manager, Supply Chain	Mr. Patrick Kiema
10.	Ag. Manager, Preventive Services	Mr. Didacus Atiang
11.	Asst. Manager, information Communication Technology	Mr. Elijah Odhiambo

### **(e) Fiduciary Oversight Arrangements**

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



## **KEY EPZA INFORMATION AND MANAGEMENT (Continued)**

### **Board Audit Committee**

The functions of the Board Audit Committee will include: -

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

### **Finance and Staff Committee**

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

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

## **KEY EPZA INFORMATION AND MANAGEMENT (Continued)**

### **Strategy, Investments and Special Projects Committee**

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

To adopt a strategic planning process and provide leadership in setting the Authority's strategic Direction;

To review and recommend for the Board's approval the Authority's 5-year Strategic plan, objectives, budgets, performance indicators, business plans, annual work plans and Performance contracts established to achieve them;

To review and monitor corporate performance against approved targets and measures;  
Review, approve or recommend to the Board as appropriate all matters pertaining to the preparation of performance contracts

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



## **KEY EPZA INFORMATION AND MANAGEMENT (Continued)**

### **Human Recourse and Administration Committee**

- Review and formulate on behalf of the Board Human Resource Policies of the Company;
- Identify best practices with regard to Staff development and relations;
- Identify and recommend to the Board the recruitment of senior management level staff;
- Any other business directed by the Board or relevant to the mandate of the Committee;
- Report at regularly scheduled Board Meetings on matters coming before the Committee

### **(f) EPZA Headquarters**

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

### **(g) EPZA Contacts**

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

### **(h) EPZA Bankers**

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

#### **Kenya Commercial Bank**

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

#### **Housing Finance**

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

### **(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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

**Wekesa & Simiyu Advocates**

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

**Nzei & Co Advocates, Commissioners for Oaths,**

Solanki House  
Mutonga Road  
P.O. Box 392  
Machakos, Kenya






## II. THE BOARD OF DIRECTORS

No	Director's passport-size photo and name, and key profession/academic qualifications	Concise description of each Director's date of birth, Key qualifications and work experience
1	 <p><b>Paul Gicheru</b> EPZA Chairman</p>	<p>Mr. Paul Gicheru is the Board Chairman of the Export Processing Zones Authority (EPZA). He is an Advocate of the High Court of Kenya with over 20 years of experience and a Commissioner of Oaths and a Notary Public. He has vast experience handling legal matters including but not limited to Corporate Law, Arbitration, Conveyancing and Banking Matters. He is the proprietor of the Law Firm, M/s Gicheru &amp; Company Advocates. He has previously served as the Chairman of the Public Procurement Regulatory Authority.</p>
2	 <p><b>Betty C. Maina, CBS</b> Principal Secretary-State Department of Investment and IndustryMSc (Development Administration) BA (Land Economics)</p>	<p>Ms. Betty C. Maina is the Principal Secretary, State Department of Investment and Industry in the Ministry of Industry, Trade and Cooperatives. Before the latest appointment, she was the CEO of Kenya Association of Manufacturers. Ms. Betty Maina has over 20 years' experience in economic policy development and private sector development and advocacy, trade policy, regional integration, education and skill development, integrated development, organisational management, public policy research, analysis, communication and advocacy and extensive experience in facilitation and training. She is a holder of an MSc degree in Development Administration from the University College London and BA degree in Land Economics from the University of Nairobi. She has received several State Commendations (HSC in 2003, MBS in 2010 and CBS in 2016) from H.E. the President of the Republic of Kenya for her work in Kenya and also continues to serve on various boards in the public sector and civil initiatives.</p>
3	 <p><b>Doris Githua</b></p>	<p>Ms Doris Githua is the Alternate Director to the Principal Secretary of the State Department for Industrialization.</p>

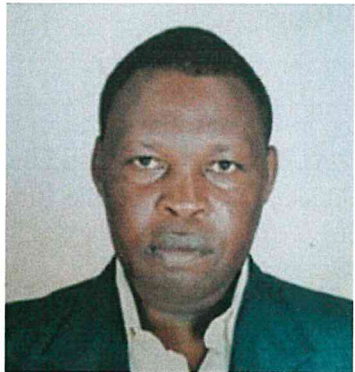


4	 <p><b>Stanley Kagera</b> Economist MA (Economic Policy)</p>	<p>Mr. Stanley Kagera is the Alternate Director of the Cabinet Secretary, National Treasury. He holds a Masters in Economic Policy (Makerere University) and a Bachelor of Arts in Economics (Kenyatta University). Mr Kagera has is an Economist in various ministries. Currently he is the Deputy Director, Public Private Partnership (PPP) Unit at the National Treasury.</p>
5	 <p><b>Dr. Lydia Ndirangu</b> Economist PhD (Development Economics)</p>	<p>Dr. Lydia Ndirangu is the representative of the Governor, Central Bank of Kenya at the Board. Born in 1966, Dr. Ndirangu holds a PhD in Development Economics and she is the Head of Research Centre at Kenya School of Monetary Studies (KSMS). Dr. Ndirangu has over 25 years' experience in Research, Public Policy and Analysis.</p>
6	 <p><b>Dr. Moses Ikiara</b> MD- Kenya Investment Authority PhD (Environmental and Natural Resource Economics)</p>	<p>Dr. Moses Ikiara is the Managing Director of Kenya Investment Authority and represents Kenya Investment Authority at the Board. Dr. Ikiara holds a PhD in Environmental and Natural Resource Economics. Born in 1966, Dr. Ikiara has over 15 years' experience in Public Policy and Analysis.</p>





7	 <p><b>Hon. Kisoi Munyao</b> Entrepreneur BBA (International Centre for Leadership &amp; Management), Bachelor of Laws, Dip (Law)</p>	<p>Hon. Kisoi Munyao is a member from the Private Sector. Born in 1973, Hon. Kisoi has held several positions in private and public sector. He is the Chief Executive Officer of Foundation Institute of Africa Ltd and chairs the Board of Trustees of Kenya Youth Education Scholarship Fund. Hon. Kisoi was a member of National Assembly (Mbooni Constituency) from 2013-2018 and served in Education, Research and Technology and Delegated Legislation Parliamentary Committees from 2013 to 2017. He holds BBA (International Centre for Leadership and Management), Bachelor of Laws (Mt. Kenya University), and Diploma in Law among other certifications.</p>
8	 <p><b>John Masaba</b> Management Consultant MBA (Production &amp; Operations Management, Human Resources Management), B.A (Economics) Dip (Banking)</p>	<p>Mr. John Masaba is a member from the Private Sector and a Management Consultant. Mr. Masaba is a career banker with over 14 years banking experience. He has held senior management positions in several banks including KCB Bank Ltd; Bank of Africa and Transnational Bank. He is also a former director of Muthaiga Golf Club and the Founding Trustee of CGM Charitable Trust. Besides banking, he brings on board other skills in Leadership and Management Consulting. He holds an MBA (Production &amp; Operations Management, Human Resources Management) and B.A (Economics) from the University of Nairobi. He has also attended numerous in trainings Banking, Leadership and Management.</p>
9	 <p><b>Dr. Regina Mwatha</b> Lecturer PhD (Sociology)</p>	<p>Dr. Regina Mwatha holds a PhD in Sociology on matters of Gender and Development and has over 15 years' experience on Policy and good governance in the public sector, regional and international organisations. Before her engagement as Director in the EPZA Board, she was engaged as the Acting Chairperson at the Commission on Administrative Justice (Office of the Ombudsman). This is a constitutional commission in line with Article 59 of the Constitution of Kenya 2010. She is a Senior Lecturer at Kenyatta University. She has previously served in the National Gender and Development Commission.</p>

10	 <p><b>Eva Buyu Msando</b> Communication Expert B.A (Leadership and Management), Dip (Public Relations-ABMA-UK),Dip (Cabin Crew-ICM-UK)</p>	<p>Ms. Eva Buyu Msando is a member from the Private Sector. Born in 1983, Ms. Eva is the current Corporate and Communication Manager at GSI Kenya (Global Standards Company). Previously, she was the Public Relations Executive in the same Company. She holds a Bachelor's degree in Leadership and Management from St. Paul's University and a Diploma in Public Relations and Cabin Crew, both of them from UK. Her experience spans over 13 years in various sectors including communication and leadership, banking, sales and marketing and logistics planning.</p>
11	 <p><b>Walter N. Kamau</b> Economist MA (Economics)</p>	<p>Mr. Walter Kamau is the representative of the Kenya Association of Manufacturers at the board. Mr. Kamau has over 10 years' experience in Public sector in areas of trade and international Policy. He also has over 19 years of experience at KAM on areas of regional Integration policies, bilateral agreements and International trade agreements. Mr. Kamau serves as the Secretary to KAM Trade and Tax Committee and Co-Chair of Kenya's National Monitoring Committee on non-tariff barriers He holds a Master's degree in Economics.</p>
12	 <p><b>Laban O. Rao</b> Industrialist Dip (Plant Engineering)</p>	<p>Mr. Laban Onditi Rao is the representative of the Kenya National Chamber of Commerce and Industry at the Board. Mr. Rao is the Managing Director of Scorpion Construction Limited and the Vice chair of Kenya National Chamber of Commerce and Industry. He holds Diploma in Plant Engineering.</p>






13	 <p><b>Benson Chacha</b> BCom (Business Administration)</p>	<p>Mr. Benson Chachais the representative Commissioner General, Kenya Revenue Authority (KRA). He holds a Bachelor's Degree in Commerce (Business Administration) from the University of Nairobi. He joined Customs Department in 1987. Currently he is the Chief Manager, Customs and Boarder Control Department, KRA.</p>
14	 <p><b>George Makateto</b> Acting CEO-EPZA MPhil, BTech Edu (Automotive)</p>	<p>Mr. George Makateto is the Acting Chief Executive Officer of EPZA. Born in 1970, he holds MPhil in Technology Education (Automotive Engineering) and Bachelor of Technology Education (Automotive Option). He holds a Kaizen Certification, ISO Certification, EIA, Renewable Energy and ILO-SIYB.</p> <p>Mr.Makateto has 25 years' experience in Accreditation and Quality Assurance, Industrial Development, Promotion and Productivity improvement.</p>
15	 <p><b>Winnie Sang</b> Advocate, LLB Ag.Corporate Secretary &amp; Manager Legal Services</p>	<p>Ms. Winnie Sang is the Acting Corporate Secretary and Manager Legal Services in the EPZA. She is an Advocate of the High Court of Kenya, Notary Public and Commissioner of Oaths. Born in 1988, she holds LLB and is currently pursuing Masters in Public Policy and Administration and Certified Public Secretary (CPS). She has vast experience in legal field having previously worked with Kale Maina and Bundotich Advocates, Nyaundi Tuiyott and Company Advocate and other positions in EPZA Corporate and Legal department</p>

### III. MANAGEMENT TEAM




No	Passport-size photo, name, and key profession/academic qualifications	Main Area of Responsibility
1	 <p><b>George Makateto</b> Acting CEO MPhil, BTech Edu (Automotive)</p>	<p>Mr. Makateto is the Acting Chief Executive Officer of EPZA. Born in 1970, he holds MPhil in Technology Education (Automotive Engineering) and Bachelor of Technology Education (Automotive Option). He holds a Kaizen Certification, ISO Certification, EIA, Renewable Energy and ILO-SIYB. Mr. Makateto has 25 years' experience in Accreditation and Quality Assurance, Industrial Development, Promotion and Productivity improvement.</p>
2	 <p><b>John O.B Akara</b> Ag GM-Commercial &amp; Technical Services MIA(EPM), MA(Econ.)</p>	<p>Mr. Akara, the Acting General Manager Investment and Corporate Communications, was born in 1962 in Nyamira County. He holds a Bachelor, and Master's degree in Economics from the University of Nairobi. He also holds a Master of International Affairs in Economic policy management from Columbia University, New York. Mr. Akara has also graduated with an AMP jointly offered by Strathmore Business school, Lagos Business School and IESE Business school, University of Navara, Spain. Mr Akara has vast experience in matters of development, investment promotion and management in both private and public sectors.</p>
3	 <p><b>Peter Wainaina</b> Ag.GM-Operations and Investor Support B.Sc(Hons) in Mechanical Engineering</p>	<p>Mr.Peter Wainaina is the Acting General Manager, Operations and Investor Support at EPZA. Presently studying MBA at Tangaza University, holds B.Sc(Hons) in Mechanical Engineering from University of Nairobi and a member of Engineers Registration Board. Holds post graduate diploma in Industrial Engineering from Nagoya, Japan. He has attended several capacity building programs sponsored by the Commonwealth Secretariat on industrial clusters, SMEs, and Business Incubation development courses and also studied Programme for Management course in Strathmore Business School, Nairobi. He has a wide experience in different capacities in the NGO and International Agencies i.e UNDP/UNIDO and USAID in industrial development programs. At the Public Sector he has worked for the Ministry of Trade and Industries.</p>



4	 <p><b>Benjamin Chesang</b> Ag.GM-Investment &amp; Corporate Communications, MA, BA (Economics)</p>	<p>Mr. Chesang is the Acting General Manager, Investment &amp; Corporate Communications at EPZA. Born in 1965, he holds a BA in Economics and an MA in Economics. He has over 20 years' experience in public policy and senior management.</p>
5	 <p><b>Denis Kinyua</b> Manager-Finance &amp; Accounts MSc-Finance &amp; Investment, B.Com- Finance, CPA-K, CIFA</p>	<p>Mr. Kinyua is the Manager Finance and Accounts. Born in 1981, he holds MSc in Finance &amp; Investment, Bachelor of Commerce (Finance), CPA (K), CIFA Finalist and a member of Institute of Certified Public Accountants. Kinyua has over 10 years in Finance and Accounting field. Previously worked in Pinnacle International Consulting Ltd and Centre for Development Consultants Ltd firms based in Nairobi Kenya specializing in Financial Consultancy, Investment, Management Accounting and Auditing. He joined Export Processing Zones Authority as an Assistant Accountant in August 2010 and served as an Accountant, Principal Accountant and Management Accountant.</p>
6	 <p><b>Winnie Sang</b> Advocate, LLB Ag. Corporate Secretary &amp; Manager Legal Services</p>	<p>Ms. Winnie Sang is the Acting Corporate Secretary and Manager Legal Service in the EPZA. She is an Advocate of the High Court of Kenya, Notary Public and Commissioner of Oaths. Born in 1988, she holds LLB and is currently pursuing Masters in Public Policy and Administration and Certified Public Secretary (CPS). She has vast experience in legal field having previously worked with Kale Maina and Bundotich Advocates, Nyaundi Tuiyott and Company Advocate and other positions in EPZA Corporate and Legal department</p>

7	 <p><b>Patrick M. Kiema</b> Manager- Supply Chain MBM,BBM MCIPS,CPA-K, SLDP</p>	<p>Mr Kiema is the Supply Chain Manager. He is an experienced Strategic Supply Chain Practitioner with a demonstrated history of working in the public sector.</p> <p>He has vast experience in Procurement planning cycle process, Contract Management, Risk Management, Supplier and Customer Relationship Management, Budgeting and Financial management and Inventory Management.</p>
8	 <p><b>Miriam Mutuma</b> Ag. Manager- Human Resources &amp; Administration MBA,BBA (Human Resources),</p>	<p>Ms. Miriam Mutuma is the Acting Manager Human Resources and Administration. She holds MBA and BBA in Human Resources and is currently undertaking Certification in Human Resource. She has a demonstrated experience having worked with EPZA in various positions.</p>
9	 <p><b>Jorum Ngunyi</b> Manager-Internal Audit MBA(Accounting),CPA(K), CSI</p>	<p>Mr. Jorum Ngunyi is the Internal Audit Manager EPZA. He holds MBA in Accounting, CPA(K), CSIA; a member of ICPAK and IIA, and has over 10 years of experience in risk management and auditing gained from Kenya National Audit Office, National Environmental Authority and Jomo Kenyatta Foundation.</p>



10	 <p><b>Moses Kipkebut</b> Manager -Investment Promotion MBA, BA (Economics), MSK, SLDP, SMC</p>	<p>Mr. Kipkebut is the Investment Promotion Manager. Born in 1972, he holds MBA-Global Business&amp; Sustainability: Social Entrepreneurship Track. BA (Economics), Executive Diploma in Marketing (MSK), KSG -SLDP, KSG – SMC, a full Member of MSK. Moses has over 20 years' experience in operations and investor support, Business Development, Project Appraisals and evaluation, Marketing and sales.</p>
11	 <p><b>Didacus Atiang</b> Ag. Manager- Preventive Services BA(Criminology), ASIS International</p>	<p>Mr Atiang is the Acting Manager-Preventive Services at Export Processing Zones Authority. He is currently finalizing MBA in Corporate Management at KCA University and he holds an MA, in Criminology and Security studies. He is a Certified Fraud Examiner (CFE), a professional member of ASIS international organizations for security professionals and a member of PROSAK. Mr. Atiang has over 10 years' experience obtained in the Disciplined Force (General Service Unit - GSU) in respect to security operations and management.</p>
12	 <p><b>Elijah Odhiambo</b> Asst. Manager-ICT BSc.-ICT Management Diploma (Electronics Engineering), Microsoft Certified Professional (MCP) Cyberoam Certified Network Professional</p>	<p>Mr. Elijah Odhiambo is the Assistant. Manager, Information Communication Technology. Born in 1973 he holds a BSc in ICT management and a Diploma in electronics engineering. He is also a Microsoft Certified Professional (MCP), a Cyberoam Certified Network Professional (CCNSP), a Member of (MBCS) and ISACA. He has over 15 years' experience in ICT management and previously served at the Kenya School of Government and in the private sector.</p>

#### **IV. CHAIRMAN'S STATEMENT**

##### **BUSINESS REVIEW**

It is my pleasure to present to you the Annual Report and Financial Statements for Export Processing Zones Authority for the Year Ended 30th June 2019.

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

As a result of the undertakings, the EPZ programme in year ended June 2019 maintained an upward trend. It recorded growth in principal indicators like exports, expenditure on local goods & services and employment. Direct local employment expanded by 4.5%, while expenditure on local goods & services rose by 4.8% in the year to June 2019. While on the other hand exports and total sales rose by 1.4% and 2.7% respectively.

The implementation of Export Business Accelerator (EBA) -Incubator, has improved export business by small scale indigenous enterprises. The number of EPZ firms with local ownership has risen to 37.5% from 36.6% reported in the previous year. This performance went to contribute towards Kenya's economic growth in 2018.

The challenges encountered in the implementation of the EPZ programme were Transition from Customs Simba System to Integrated Customs Management System (ICMS) which slowed down activities, challenge in execution of bonds by EPZ firms as the insurance companies which deal with it had not been captured by ICMS. In addition, getting work permits and lack of affordable funds has been a challenge to EPZ firms.

The growth achieved in 2018 is expected to be sustained in 2019. This is because of political truce "handshake", continued government support and enhanced EPZ investment promotion activities.

##### **APPRECIATION**

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

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

  
Chairman

## **V. REPORT OF THE CHIEF EXECUTIVE OFFICER**

I am delighted to present to you EPZ Authority's Annual report and financial statements for the year ended 30th June, 2019.

### **Operating Results**

The Authority posted an operating gain of Kshs 0.744 million, a rise by 91%% from a deficit of Kshs 8.54 million realized in the previous financial year. This gain is attributed to cost-cutting measures as well as non-monetary transactions arising from recognition of deferred income from government grant.

Authority's total revenue rose to 5% from 2% during the year to close at Kshs 479.81 million up from Kshs 455.36 million reported in FY 2017/18. Appropriation-in-Aid was Kshs 476.54 million (2017/2018, Kshs 419.76 million) while the recurrent grant from the government of Kenya (GOK) totalled Kshs 3.27 million (2017/18, Kshs 35.6 million). The Authority also received Kshs 810.00 million (FY 2017/18, Kshs 560.67 million) in development grant.

Total expenditure rose by 5% during the year to settle at Kshs 481.89 million from 460.00 reported in FY 2017/18.

### **Performance of EPZ Programme**

In the year ended June 2019, most of the performance indicators exhibited an upward trend compared to the year 2017. The number of gazette zones rose to 72 in 2019 from 70 in 2018.

Exports and total sales value increased by 1.4% and 2.7% to stand at Kshs 73,563 million and Kshs 77,435 million respectively. Sales to the domestic market stood at Kshs 3,872 million in 2019 from Kshs 2,883 million in 2018. Direct employment expanded by 4.5% from 58,122 persons recorded in 2018 to 60,733 persons in 2019.

Cumulative investment for the operating enterprises and zones in the form of machinery, equipment, machinery, funds and assets invested stood at Kshs 105,762 million in 2019 from Kshs 95,902 million in 2018, representing an increase of 10.3%.

Imports increased by 14.8% to stand at 33,744 million in 2019 from Kshs 29,387 million in 2019.

Expenditure on local goods and services increased by 4.8% in 2019 to stand at Kshs 30,508 million from Kshs 29,112 million recorded in the year 2018. This translates to an average of Kshs 2,543 million being injected into the economy by EPZ firms monthly in the year 2019 compared to Kshs 2,426 million in the previous year.

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

## **REPORT OF THE CHIEF EXECUTIVE OFFICER (Continued)**

### **Operational Challenges**

The performance of the program would have been enhanced if certain negative factors had not impacted the EPZ program.

Cost of doing business is still an issue affecting performance of the EPZ investors. Inadequate supply of water to Athi River zone has necessitated firms to obtain the commodity at an inflated rate, hence adversely affecting their operations and performance. There has been Government directive of transporting goods by Standard Gauge Railway (SGR) from Mombasa port to Inland Container Depot (ICD) Nairobi. This is a positive measure; however, delays and increased costs have been experienced because containers have to be transported by trucks from ICD to the factories. It is therefore prudent that they be given an option to choose whichever mode of transport is convenient for them. Minimum labour wage and cost of power in Kenya is higher compared to the competitors within the region, hence poses threat in terms of competitiveness of country as investment destination and by extension, the EPZ program.

EPZ agro processing enterprises have been facing inadequate supply of the raw materials especially the macadamia nuts. The situation has been aggravated by the emergence of brokers in the sector which have interfered with pricing and availability of these raw materials.

Transition from Customs Simba System to Integrated Customs Management System (ICMS) slowed down activity within the program as the investors took time to not only learn the system but also its operations, hence caused some lag. The EPZ firms experienced some challenge in execution of bonds as the insurance companies which deal with it had not been captured by ICMS. In addition, the system had a challenge on how data was captured, like the stock and raw materials.

There was also the challenge of getting the work permits as the immigration department kept introducing some new conditions. For instance, effective year 2019, a company applying for work permits had to first produce and submit tax compliance certificate.

Lack of affordable funds has been a challenge to EPZ investors especially the small enterprises, hence made them unable to meet their operational obligations on a timely basis.

EPZ firms are constrained by limited East African Community (EAC) market to only 20% of their total production. This is an important market and especially with South Sudan having joined it. Thus, to encourage expansion of existing firms and new companies, the cap should be increased.

Poor infrastructure in rural areas where some EPZ zones/enterprises are located has made it difficult for the product to reach port of export in a timely manner especially flowers and vegetables. Consequently, the firms face losses, increase cost of production and reduce their competitiveness.

At the global level, inward looking policy trends as witnessed by United Kingdom opting out of the European Union while USA is focusing on domestic policy. This is affecting exports from Kenya because these markets are likely to be protected.

  
Chief Executive Officer



## **VI. CORPORATE GOVERNANCE STATEMENT**

### **Corporate Governance Practices**

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

### **The Board**

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

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

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

## **PRACTICES OF THE BOARD**

### **Board Responsibilities**

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

### **Board Meetings**

The Board meets regularly, at least four times a year at quarterly intervals and holds special meetings as and when the Board thinks appropriate. During the Financial year 2018/2019, 4 quarterly meetings and 16 special meetings were held. Notices of at least 14 days were issued to the Directors, minutes of Board meetings prepared by the acting Corporate Secretary with details of decisions reached and resolutions passed by the Board. The Board members play an active role in participating at the Authority's meetings through contribution of their professional opinions and active participation in discussions.

## **CORPORATE GOVERNANCE STATEMENT (Continued)**

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

Meetings attended/held during the Financial Year

Name of Director	Board Meetings/ Special Meetings (20)	Finance and Staff Board Committee (9)	Strategy, Investments & Special Projects Committee (7)	Board Audit Committee (7)	Board HR and Admin Committee (15)
Mr. Paul Gicheru	15	N/A	N/A	N/A	N/A
Ms. Betty C. Maina Ms. Doris Githua*	6	3	2	-	-
Dr. Lydia Ndirangu	7	1	-	6	-
Mr. Stanley Kagera	18	-	-	5	15
Mr. Walter Kamau	16	-	5	7	-
Mr. Laban Onditi Rao	16	-	6	6	-
Ms. Eva Buyu Msando	11	6	5	-	-
Mr. Benson Chacha	15	-	1	7	15
Dr. Moses Ikiara Pius Rotich* Donna Atieno*	7	5	4	-	-
Hon. Kisoi Munyao	16	-	5	5	15
Mr. John Masaba	15	6	6	-	-
Dr. Regina Mwatha	8	2	-	-	15
Mr. George Makateto	15	6	6	-	14

\*Representatives of Board Members

### **Board Committees**

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

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

## **CORPORATE GOVERNANCE STATEMENT (Continued)**

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

### **BOARD COMMITTEE MEMBERSHIP FINANCIAL YEAR 2018/2019**

<b>Finance and Staff Board Committee</b>		
<b>Chairperson</b>	<b>Dr. Regina Mwatha</b>	<b>Private Sector</b>
	Mr. Stanley Maina Kagera	Representing Principal Secretary/The Treasury
	Ms. Doris Githua	Representing Principal Secretary/Ministry of Industrialization and Enterprise Development
	Dr. Moses Ikiara	Managing Director, Kenya Investments Authority
	Dr. Lydia Ndirangi	Central Bank of Kenya
	Ms Eva Buyu Msando	Private Sector
	Acting Chief Executive/EPZA	Member
<b>Board Audit Committee</b>		
<b>Chairman</b>	<b>Mr. Walter Kamau</b>	<b>Kenya Association of Manufacturers</b>
	Mr. Benson Chacha	Alternative Member/Commissioner of Customs Services
	Mr. Laban Onditi Rao	Kenya National Chamber of Commerce & Industry
	Hon. Kisoi Munyao	Private Sector
	Mr. John Masaba	Private Sector
<b>Strategy Investments and Special Projects Board Committee</b>		
<b>Chairman</b>	<b>Ms Eva Buyu Msando</b>	<b>Private Sector</b>
	Dr. Moses Ikiara	Managing Director/ Kenya Investments Authority
	Mr. Walter Kamau	Kenya Association of Manufacturers
	Hon. Kisoi Munyao	Private Sector
	Ms. Doris Githua	Representing Principal Secretary/Ministry of Industrialization and Enterprise Development
	Mr. John Masaba	Private Sector
	Mr. Laban Onditi	Kenya National Chambers of Commerce and Industry
	Acting Chief Executive/EPZA	Member
<b>Human Resource and Administration Board Committee</b>		
<b>Chairman</b>	<b>Hon. Kisoi Munyao</b>	<b>Private Sector</b>
	Dr. Regina Mwatha	Private Sector
	Mr. Stanley Maina Kagera	Representing Principal Secretary/The Treasury
	Mr. Benson Chacha	Alternative Member/Commissioner of Customs Services
	Acting Chief Executive/EPZA	Member

## **Board Induction and Continuous Skills Development**

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

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

## **Board Remuneration**

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

## **Board Performance**

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

## **Board and Management Succession**

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

## **Governance Audit**

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

# **VII. MANAGEMENT DISCUSSION AND ANALYSIS**

## **Operating Results**

The Authority posted an operating gain of Kshs 0.744 million, a rise by 91% from a deficit of Kshs 8.54 million realized in the previous financial year. This gain is attributed to cost-cutting measures as well as non-monetary transactions arising from recognition of deferred income from government grant.

Authority's total revenue rose to 5% from 2% during the year to close at Kshs 479.81 million up from Kshs 455.36 million reported in FY 2017/18. Appropriation-in-Aid was Kshs 476.54 million (2017/2018, Kshs 419.76 million) while the recurrent grant from the government of Kenya (GOK) totalled Kshs 3.27 million (2017/18, Kshs 35.6 million). The Authority also received Kshs 820.00 million (FY 2017/18, Kshs 560.67 million) in development grant.

Total expenditure rose by 5% during the year to settle at Kshs 481.89 million from 460.00 reported in FY 2017/18.

## **EPZA's Compliance with Statutory Requirements**

During the FY 2018/19, the Authority did not have any major non-compliance issue that was likely to expose it to potential contingent liabilities. However, the Authority has had ongoing disputes and defaults that may potentially impact negatively on the overall performance.

These include:

Prolonged contestation that EPZA is not a registered water supplies entity. This is likely to reduce water sales contribution should it be ruled out that the Authority should not supply water outside Athi River Zone.

There is a litigation case regarding the ownership of a parcel of land Ooloolitkoshi/Kitengela/70. The case is in Law Court and the Authority has to wait/await for the outcome. The land was valued at 2.25 million as at 30 June 2014.

Included in the trade and other receivables is an outstanding debt of Kshs 9.92 million relating to ex-staff (former CEO and Accounts Assistant). The Ethics and Anti-Corruption Commission is pursuing the case and Authority is awaiting the outcome. The debt has also been forwarded to the Authority's external debt collector.

## **Key Projects and Investment Decisions the Authority is implementing**

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

## **Major Risks Facing EPZA**

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

### **Credit Risk**

Included in the in the trade receivables (Rent, licence and water) is Kshs 234.13 million and Kshs 261.19 million categorized as Doubtful Debts and Bad Debts respectively. These debts have proved to be uncollectable and adequate provision for the doubtful debts should be made as well as writing-off bad debts.

### **Liquidity Risk**

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

### **Capital Risk**

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

## **Material Arrears in Statutory/Financial Obligations**

Delayed disbursement and reduction in development grant has led to the in completion of the ongoing projects (textile Centre of Excellence at Athi River and Industrial Leather Park at Kenanie). This exposes the Authority to possible litigations by the contractors/ suppliers for delay to make payments for the works done.



### **The Authority's Financial Probity and Serious Governance Issues**

The Authority had neither known financial improbity as reported by internal audit/Board audit committee, external auditors, or other National Government Agencies providing oversight nor serious governance issues among the Board or member of the Board and top management including conflict of interest as at 30th June, 2019.

## **VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

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

### **The Chemususu Dam Half Marathon, 15th September 2018**

The Authority sponsored 4 members of staff to participate in the Chemususu Dam Half Marathon in Eldama Ravine, Baringo County on 15th September 2018. The event aims at raising funds for conservation of the dam. The staff participated in the 10 kilometre run for both men and women.

### **Donations**

In the spirit of giving back to the community, the Authority made donations to both Bible Translation Literacy (BTL) and Beyond Zero campaign. The donation to BTL was to support the launch of Bible Translation Trust.

The Beyond Zero Campaign is an initiative launched by Kenya's First Lady, Margaret Gakuo Kenyatta. Its goals are to improve maternal and child health in Kenya, and to reduce new HIV infections among children. The campaign was unveiled in 2013 on World AIDS Day, and launched on 24 January 2014

### **Golf Tournament, 31st July and 1st August 2018**

The Authority Sponsored Ladies Coast Open 2018 Golf Tournament at Nyali Sports Club in Mombasa County. The activity also saw the Authority use the platform to promote the EPZ program among potential investors as it seeks to expand and grow more investments in the counties.

*Export Processing Zones Authority*  
Annual Reports and Financial Statements  
For the year ended June 30, 2019

## **I. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the EPZ Authority's affairs.

### **Principal activities**

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

### **Results**

The results of the Authority for the year ended June 30, 2019 are set out on pages 1 to 27

### **Directors**

The members of the Board of Directors who served during the year are shown on pages viii to xi.

### **Dividends/Surplus remission**

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. Provisional draft Annual Financial Statement indicate that EPZA made a surplus of Kshs. 1,520,447. Once Audit is complete, 90% of the Amount will be remitted to the Consolidated Fund.

### **Auditors**

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

### **By Order of the Board**

  
**CORPORATE SECRETARY**  
Export Processing Zones Authority

Date..........

## II. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

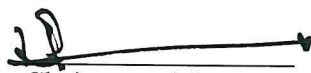
The Directors are responsible for the preparation and presentation of the EPZA's financial statements, which give a true and fair view of the state of affairs of the EPZA for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the EPZA; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the EPZA's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the EPZA's financial statements give a true and fair view of the state of EPZA's transactions during the financial year ended June 30, 2019, and of the EPZA's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the EPZA, which have been relied upon in the preparation of the EPZA's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The EPZA's financial statements were approved by the Board on 27<sup>th</sup> SEPT 2019 and signed on its behalf by:

  
Chairman of the Board

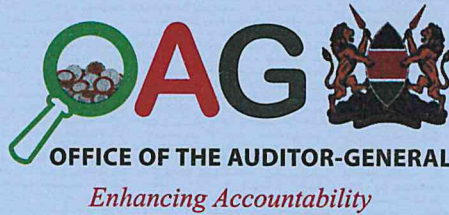
  
Director

  
Chief Executive Officer



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## **REPORT OF THE AUDITOR-GENERAL ON EXPORT PROCESSING ZONES AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2019**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Export Processing Zones Authority set out on pages 1 to 37, which comprise of the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Export Processing Zones Authority as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Export Processing Zones Authority Act, Cap 517 of 2015 (Revised) of the Laws of Kenya and the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **Lack of Land Ownership Documents**

As previously reported, included in property, plant and equipment balance of Kshs.11,279,542,493 are two (2) parcels of land with a book value of Kshs.2,250,000. However, although the parcels of land were acquired and gazetted through Gazette Notice Nos.2802 and 2803 of July, 1991, the Authority had not obtained the respective ownership documents as at 30 June, 2019. Further, as previously reported, the Authority acquired a piece of land at Kshs.6,500,000, which acquisition process started in 2015/2016, but the ownership documents had not been obtained as at 30 June, 2019. The Authority has not valued its assets in the last seven (7) years to take cognizance of the gradual changes in their value as the last valuation of the assets was conducted in 2011.



As a result, the ownership of the parcels of land worth Kshs.8,750,000 and the fair value of the property, plant and equipment as at 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Export Processing Zones Authority 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 qualified opinion.

### **Key Audit Matters**

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

### **Other Matter**

### **Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues nor given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1.0 Decommissioning of Dumpsite and Construction of a Dam and Other Civil Works**

As previously reported, the Authority awarded a tender to a company for decommissioning of dumpsite and construction of a dam and other civil works at Athi-River EPZ at a contract sum of Kshs.150,260,710. The commencement date of the contract was 21 September, 2017 to be completed by 20 June, 2019. At the time of audit, an amount of Kshs.31,810,320 had been paid and compared well with the works which was at 20% complete. However, the report on the feasibility study on recommending the decommissioning of the dumpsite was not provided for audit review and in absence of an alternative site, dumping was still being done at the same dumpsite.



Further, the source of the water to feed the dam was not indicated thereby casting doubts on the sustainability of the project while no approval certificates from the relevant government regulatory agencies mainly National Environmental Management Authority, NEMA and Water Resource Management Authority, WARMA assenting to the construction of the dam were provided for audit review. A physical verification undertaken at the site revealed that no works were on going and the contractor was not on site despite having been paid Kshs.31,810,320.

In the circumstances, I am unable to confirm whether the public will obtain value for money from the public resources used.

## **2.0 Irregular Issue of License**

As previously reported, the Authority issued an Export Processing Zone Business Service Permit to a local company to run a petrol station and convenience store on land parcels owned by the Authority. The company had started the construction of the petrol station. The degazettement of the parcels of land was not done before issuing the business permit to exempt it from the provision of the Export Processing Zones Authority Act, Cap 517 of 2015 (Revised) of the laws of Kenya.

Consequently, the Management is in breach of the law.

## **3.0 Irregular Award of Contract**

The Authority awarded a tender to a company for construction of Kenya Leather Park internal access roads and civil works at a contract price of Kshs.146,111,497. The work was to commence on 26 September, 2016 and be completed on 25 September, 2017 but was later extended to 31 December, 2018. The Authority introduced additional work for box culvert and construction of temporary holding ponds which varied the contract upward by Kshs.26,075,000 contrary to Section 139(1)(a) of the Public Procurement and Asset Disposal Act, 2015. Further, the bills of quantities for the additional works were not availed for audit review.

In the circumstances, the Management is in breach of the law.

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, 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.

## **Responsibilities of Management and Board of Directors**

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

In preparing the financial statements, Management is responsible for assessing the Authority'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 the intension to liquidate the Authority 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 Authority's financial reporting process, reviewing the effectiveness of how the Authority 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

## **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but

is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 Authority'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 Authority 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 that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**19 August, 2021**



**XII. STATEMENT OF FINANCIAL PERFORMANCE page 1**

STATEMENT OF FINANCIAL PERFORMANCE			
FOR THE YEAR ENDED 30 JUNE 2019			
	Notes	2018-2019 Kshs	2017-2018 Kshs
<b>Revenues</b>			
Revenue from non-exchange transactions	6a	66,730,538	99,151,028
Revenue from exchange transactions	6b	413,081,444	356,210,711
<b>Total Revenue</b>		<b>479,811,982</b>	<b>455,361,739</b>
<b>Expenses</b>			
Employee costs	7	326,192,385	310,075,287
Board expenses	8	14,572,931	8,705,831
Administrative expenses	9	22,050,458	24,346,406
Other operating expenses	10	81,485,751	80,109,271
Depreciation	11	36,808,217	36,767,348
<b>Operating Expenses</b>		<b>481,109,742</b>	<b>460,004,143</b>
<b>Operating Deficit/(Surplus)</b>		<b>(1,297,760)</b>	<b>(4,642,404)</b>
Other Items			
Foreign Exchange Loss/(Gain)	12	2,818,207	(3,897,063)
<b>Sub Total</b>		<b>2,818,207</b>	<b>(3,897,063)</b>
<b>Surplus (Deficit) for the Period</b>		<b>1,520,447</b>	<b>(8,539,468)</b>

The notes set out on pages 6 to 31 form an integral part of the Financial Statements

**XIII. STATEMENT OF FINANCIAL POSITION**

<b>STATEMENT OF FINANCIAL POSITION</b>			
<b>AS AT 30 JUNE 2019</b>			
		<b>2018-2019</b>	<b>2017-2018</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	13	907,133,977	699,322,567
Trade Receivables and Other Receivables	14	606,130,301	565,846,662
Inventories	15	8,091,841	8,062,500
<b>Sub Total</b>		<b>1,521,356,120</b>	<b>1,273,231,730</b>
<b>Non-current assets</b>			
Property, plant and equipment	23	11,279,542,493	10,644,679,186
Biological assets	16	150,122,342	150,122,342
<b>Sub Total</b>		<b>11,429,664,835</b>	<b>10,794,801,528</b>
<b>TOTAL ASSETS</b>		<b>12,951,020,954</b>	<b>12,068,033,258</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and Other Payables	17a	307,318,483	273,690,348
Unearned Rental Income	17b	265,573,601	264,926,216
<b>Sub Total</b>		<b>572,892,084</b>	<b>538,616,564</b>
<b>Non-current liabilities</b>			
Customer Deposits	18	183,047,686	177,716,549
Deffered Income	19	5,221,851,202	4,388,544,781
<b>Sub Total</b>		<b>5,404,898,888</b>	<b>4,566,261,331</b>
<b>TOTAL LIABILITIES</b>		<b>5,977,790,972</b>	<b>5,104,877,895</b>
<b>NET ASSETS</b>		<b>6,973,229,983</b>	<b>6,963,155,363</b>
<b>Reserves</b>			
Revaluation Reserves	20a	6,728,206,312	6,728,206,312
Accumulated surplus	20b	245,023,671	234,949,051
<b>TOTAL NET ASSETS &amp; LIABILITIES</b>		<b>6,973,229,983</b>	<b>6,963,155,363</b>

The Financial Statements set out on pages 6 to 31 were signed on behalf of the Board of directors by;

George Makateto

CPA Denis Kinyua

Paul Gicheru

Ag. Chief Executive Officer

Manager, Finance & Accounts  
ICPAK Member No:12041

Chairman, EPZA

Sign.....

Sign.....

Sign.....

Date: 24.7.2020

Date: 24.7.2020

Date: 24.7.2020



**XIV. STATEMENT OF CHANGES IN NET ASSETS**

STATEMENT OF CHANGES IN NET ASSETS				
For the year ended 30 June 2019				
	Notes	Revaluation Reserves Kshs	Accumulated Surpluses Kshs	Total Kshs
Balance as at July 1, 2017 (a)	20a	6,728,206,412	244,880,445	6,973,085,857
Deficit for the period		-	(8,539,468)	(8,539,468)
Restatement of accumulated surplus		-	(1,391,925)	(1,391,925)
Transfers to accumulated surplus (b)		-	(9,931,393)	(9,931,393)
<b>Balance as at 30 June 2018 (a+b)</b>		<b>6,728,206,412</b>	<b>234,949,052</b>	<b>6,963,154,464</b>
<b>Balance as at July 1, 2018 (a)</b>		<b>6,728,206,412</b>	<b>234,949,052</b>	<b>6,963,154,464</b>
Surplus for the period	20b	-	1,520,447	1,520,447
Restatement for prior-year items		-	8,554,172	8,554,172
Transfers to accumulated surplus (b)		-	10,074,619	10,074,619
<b>Balance as at 30 June 2019 (a+b)</b>		<b>6,728,206,412</b>	<b>245,023,671</b>	<b>6,973,229,983</b>

**XV. STATEMENT OF CASHFLOWS AT 30 JUNE 2019**

<b>STATEMENT OF CASHFLOWS AT 30 JUNE 2019</b>				
		<b>Notes</b>	<b>2018-2019</b>	<b>2017-2018</b>
			<b>Shs</b>	<b>Shs</b>
<b>A</b>	<b>Cash flows from operating activities</b>			
	<b>Receipts</b>			
	Application Fees	6a	1,398,125	1,637,682
	Government Recurrent Grants	6a	3,270,456	35,600,000
	Licence Fees	6a	44,203,790	44,055,180
	Rental Income	6b	222,484,145	178,398,045
	Sale of Water (Net of Cost)	6b	132,596,480	126,169,170
	Other Incomes	6b	58,000,818	44,665,328
	<b>Total Cash flows from operating activities</b>		<b>461,953,815</b>	<b>430,525,405</b>
	<b>Payments</b>	7,8,9,10		
	Compensation of Employees		326,192,385	310,075,287
	Goods and Services		118,109,140	113,161,508
	<b>Total Cash outflows from operating activities</b>		<b>444,301,525</b>	<b>423,236,795</b>
	Changes in Working Capital Adjustments			
	Trade Receivables & other receivables	14	(39,507,639)	2,956,057
	Inventories	15	29,341	148,170
	Trade & other Payables	16	34,275,520	1,647,542
	Total Working Capital Adjustments		<b>5,261,460</b>	<b>4,751,769</b>
	<b>Net Cash Flows from Operating activities</b>		<b>22,913,750</b>	<b>12,040,379</b>
<b>B</b>	<b>Cash flows from Investing activities</b>			
	Purchase of Property, Plant Equipment & Intangible Assets	11	(635,102,339)	(230,821,626)
	Taxes Paid			
	<b>Total Cash outflows from Investing activities</b>		<b>(635,102,339)</b>	<b>(230,821,626)</b>
<b>C</b>	<b>Cash flows from financing activities</b>			
	Development Grant Received	17	820,000,000	560,672,500
	<b>Total Cash flows from financing activities</b>		<b>820,000,000</b>	<b>560,672,500</b>
	<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>207,811,411</b>	<b>341,891,253</b>
	<b>Cash and cash equivalents at start of the Year</b>		<b>699,322,566</b>	<b>357,431,313</b>
	<b>Cash and cash equivalents at end of Year</b>	13	<b>907,133,977</b>	<b>699,322,566</b>

The notes set out on pages 6 to 31 form an integral part of the Financial Statements.



VI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS			
	Final Budget 2018-2019 Kshs	Actual on Comparable basis 2018-2019 Kshs	Performance difference 2018-2019 Kshs
<b>Revenue</b>			
Application Fees	2,000,000	1,398,125	(601,875)
Licence Fees	55,000,000	44,203,790	(10,796,210)
Rental Income	222,106,000	222,484,145	378,145
Water sales	151,828,623	132,596,480	(19,232,143)
Other Incomes	41,100,000	75,858,985	34,758,985
Government grant (Recurrent)	3,337,200	3,270,456	(66,744)
<b>Total income</b>	<b>475,371,823</b>	<b>479,811,982</b>	<b>4,440,159</b>
<b>Expenses</b>			
Personnel Emoluments	297,757,011	294,653,991	3,103,020
Goods, Utilities, Supplies & Services	4,000,000	4,706,943	(706,943)
Communication Supplies & Services	3,100,000	3,373,250	(273,250)
Investments Promotion Expenses	9,500,000	10,346,988	(846,988)
Domestic travel & Subsistence	6,800,000	7,419,058	(619,058)
Printing & advertising, Information supply & services	3,200,000	3,477,950	(277,950)
Rental of produced assets	9,100,000	9,792,429	(692,429)
Training Expenses	1,500,000	1,610,586	(110,586)
Hospitalities Supplies & services	2,550,000	2,780,851	(230,851)
Board Allowances, Training and Benchmarking	12,450,000	14,572,931	(2,898,931)
Insurance costs	37,000,000	35,529,543	1,470,457
Specialized materials and supplies	4,400,000	4,757,019	(357,019)
Office general supplies	3,700,000	3,870,704	(170,704)
Fuel, Oil and Lubricants	4,200,000	4,560,684	(360,684)
Other Operating expenses	31,150,000	37,178,502	(6,028,502)
Maintenance - Vehicles and Other Transport	2,500,000	2,741,648	(241,648)
Maintenance - Other Assets	2,800,000	2,928,449	(128,449)
Depreciation (Consumption of Fixed Capital)	39,500,000	36,808,217	2,691,783
<b>Total Operating Expenditure</b>	<b>475,207,011</b>	<b>481,109,742</b>	<b>(6,678,731)</b>
Other Items			
Foreign Exchange Loss	-	(2,818,207)	
<b>Total Expenditure</b>	<b>475,207,011</b>	<b>478,291,535</b>	<b>(2,238,572)</b>
<b>Deficit for the period</b>	<b>164,812</b>	<b>1,520,447</b>	

## **Notes to the Budget**

### **Revenue**

The Authority Managed to generate Kshs. 479.81 million against the revenue target of Kshs. 475.37 million.

The Improved performance of the Revenue is mainly as a result of other income from stand premium following the increased uptake of plots by investors, indicating high interest and demand by potential EPZ investors in manufacturing sector.

The Authority did not manage generate the expected application and Licence fee. The shortfall was as a result of most investors under EPZ program being at the development stage.

Water sales marked 15% decline from the target revenue of Kshs 151.82 million.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

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

### **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

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

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

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

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Revenue recognition

##### i. Revenue from Non-Exchange Transactions

##### Fees

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

##### Transfers from other Government Entities

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

## **ii. Revenue from Exchange Transactions**

### **Rendering of Services**

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

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

### **Sale of Goods**

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

### **Interest Income**

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

### **b) Budget information**

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

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

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

### **b) Taxes**

#### **Current income tax**

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

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions



taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**c) Property, Plant and Equipment (PPE)**

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

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

**d) Leases**

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

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

**f) Intangible assets**

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

**e) Inventories**

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

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

Raw materials: purchase cost using the weighted average cost method

Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

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

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

**f) Provisions**

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

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

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

**Contingent liabilities**

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

**Contingent assets**

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

**g) Nature and Purpose of Reserves**

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

**h) Changes in Accounting Policies and Estimates**

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

**i) Employee benefits Retirement Benefit Plans**

The Authority operates defined contribution retirement benefit scheme for its employees while employees who are on contract qualify for gratuity upon end of the contract. The Authority and

all its employees also contribute to the appropriate national Social Security Fund, which are defined contribution schemes.

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

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

#### **j) Foreign Currency Transactions**

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

#### **k) Related Parties**

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

#### **l) Cash and Cash Equivalents**

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

#### **m) Comparative Figures**

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

#### **n) 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, 2019.



## **5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

### **Estimates and Assumptions**

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

### **Useful lives and residual values**

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

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

### **Provisions**

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

## 6. REVENUE

	2018-2019 Kshs	2017-2018 Kshs
<b>6a) Revenue from Non-Exchange Transactions</b>		
Application Fees	1,398,125	1,637,682
Licences fees	44,203,790	44,055,179
<b>Recurrent Grant (GoK)</b>		-
<b>Unconditional Grant</b>		-
State department of Industry	3,270,456	35,600,000
		-
<b>Non-Monetary Revenue-Deferred Income</b>	17,858,167	17,858,167
<b>Sub Total</b>	<b>66,730,538</b>	<b>99,151,028</b>
<b>6b) Revenue from Exchange Transactions</b>		
Water Sales	132,596,480	126,169,170
Rental Income	222,484,145	178,398,045
Interest from-On-Call Deposit	14,061,477	13,818,501
Other Incomes	43,939,342	37,824,994
	<b>413,081,444</b>	<b>356,210,711</b>
<b>Total Revenue</b>	<b>479,811,982</b>	<b>455,361,740</b>
<b>7 EMPLOYEE COSTS</b>		
	<b>2018-2019 Kshs</b>	<b>2017-2018 Kshs</b>
Basic Salaries and Wages	142,531,942	134,812,587
Personnel Allowances	120,740,938	111,444,117
Medical Benefit	31,538,394	31,809,622
Social Contributions	31,381,110	30,753,821
Other Staff Welfare	-	1,255,140
<b>Total Employees Cost</b>	<b>326,192,385</b>	<b>310,075,287</b>
<b>8 BOARD EXPENSES</b>		
	<b>2018-2019 Kshs</b>	<b>2017-2018 Kshs</b>
Directors Emoluments	12,096,931	5,551,421
Chairman Honoraria	776,000	384,000
Boards Committees Expenses, Conferences and Seminars	1,700,000	2,770,411
<b>Total Board Expenses</b>	<b>14,572,931</b>	<b>8,705,831</b>
<b>9 ADMINISTRATIVE EXPENSES</b>		
	<b>2018-2019 Kshs</b>	<b>2017-2018 Kshs</b>
<b>9a Repairs and Maintenance</b>		
Property	2,407,504	3,806,168
Equipment	419,360	830,114
Vehicles	2,741,648	2,610,920
Other	101,585	198,360
<b>Sub Total</b>	<b>5,670,097</b>	<b>7,445,562</b>

<b>9b</b>	<b>Contracted services</b>		
	Contracted Professional Services	151,441	2,350,264
	Consultancy Fee	10,000	-
	Contracted Guards	15,522,920	13,950,581
	Audit fee	696,000	600,000
	sub Total;	<b>16,380,361</b>	<b>16,900,844</b>
	<b>Total Administrative expenses</b>	<b>22,050,458</b>	<b>24,346,406</b>
<b>10</b>	<b>OPERATING EXPENSES</b>	<b>2018-2019</b>	<b>2017-2018</b>
		<b>Kshs</b>	<b>Kshs</b>
	Goods Utilities Supplies & Services	4,706,943	4,609,396
	Investment Promotion	10,346,988	11,159,329
	Communication Supplies & Services	3,373,250	3,621,977
	Domestic Travel & Other Transport Costs	7,419,058	8,595,408
	Printing Advert Info Supply & Service	3,477,950	3,221,881
	Rental of Produced Assets	9,792,429	9,250,557
	Training Expenses	1,610,586	854,893
	Hospitality Supplies and Services	2,780,851	2,577,867
	Insurance Costs excluding medical	3,991,149	6,766,726
	Specialised Materials and Supplies	4,757,019	7,480,680
	Office General Supplies	3,870,704	5,101,495
	Fuel Oil & Lubricants	4,560,684	4,513,629
	Legal Expenses	4,037,252	5,478,645
	Other Operating Expenses	16,760,890	6,876,788
	<b>Total Operating Expenses</b>	<b>81,485,751</b>	<b>80,109,271</b>
<b>11</b>	<b>DEPRECIATION</b>	<b>2018-2019</b>	<b>2017-2018</b>
		<b>Kshs</b>	<b>Kshs</b>
	Buildings	8,359,583	8,359,583
	Computers and Printers	4,630,639	4,632,439
	Infrastructure	8,857,551	8,814,883
	Motor Vehicles & Other Moveable Equipment	9,730,358	9,730,358
	Office Equipment	3,005,862	3,005,862
	Office Furniture	2,224,223	2,224,223
	<b>Total Depreciation</b>	<b>36,808,217</b>	<b>36,767,348</b>
<b>12</b>	<b>FOREIGN EXCHANGE TRANSACTIONS</b>	<b>2018-2019</b>	<b>2017-2018</b>
		<b>Kshs</b>	<b>Kshs</b>
	Loss/Gain on Foreign Exchange Transactions	2,818,207	(3,897,063)
		<b>2,818,207</b>	<b>(3,897,063)</b>
<b>13</b>	<b>CASH AND CASH EQUIVALENTS</b>	<b>2018-2019</b>	<b>2017-2018</b>
		<b>Kshs</b>	<b>Kshs</b>
	Current Account	482,536,679	490,418,979
	Others (Cash-in-Hand)	100,433	144,628
	Others (Accrued Interest)	1,765,914	2,352,304
	On-Call Deposits	370,000,000	152,899,705
	Staff Mortgage	53,506,951	53,506,951
	<b>Total</b>	<b>907,909,977</b>	<b>699,322,567</b>



<b>a) Detailed Analysis of the Cash and Cash Equivalents</b>		
<b>Current Accounts</b>		
NBK-Hill Branch (01001031540800)	(5,068,464)	11,643,549
NBK-Kitengela Water Deposit (010010315408010)	987,747	30,097,747
NBK-Government Dev Grants-Kitengela (01001089587000)	367,710,521	332,640,661
NBK-Sinking Fund Account-Kitengela (01001024633300)	8,257,787	8,261,592
KCB Bank - Moi Avenue (1101641797)	86,465,923	82,337,180
KCB Bank - Kitengela (1102736953)	7,047,296	3,409,531
KCB Bank - Kitengela (1102737380)	17,135,869	22,028,718
<b>Sub- Total</b>	<b>482,536,679</b>	<b>490,418,979</b>
<b>b) Cash in hand</b>		
Petty Cash - Athi River Head Office	75,810	44,698
Petty Cash - Mombasa Office	12,166	59,930
Petty Cash-Kisumu Office	12,457	40,000
<b>Sub- total</b>	<b>100,433</b>	<b>144,628</b>
<b>c) On-Call Deposits</b>		
NBK-Kitengela (014050895870000)	240,000,000	52,899,705
Kenya Commercial Bank	130,000,000	100,000,000
Accrued Interest - NBK	-	586,390
<b>d) Staff Mortgage</b>		
Housing Finance Group (SD-200-0081210)	53,506,951	53,506,951
Accrued Interest-HFC/KCB	1,765,914	1,765,914
<b>Sub- total</b>	<b>425,272,866</b>	<b>208,758,961</b>
<b>Grand Total</b>	<b>907,909,977</b>	<b>699,322,567</b>
<b>14 TRADE AND OTHER RECEIVABLES</b>		
	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>a Trade Receivables</b>		
Trade receivables	604,328,583	582,700,760
Less: Impairment Allowance/Provisions	(45,219,952)	(36,013,150)
<b>Total Trade Receivables</b>	<b>559,108,631</b>	<b>546,687,611</b>
<b>b Other Recievables</b>		
Staff debtors Imprest	1,621,598	2,271,442
Staff debtors (medical)	427,700	465,746
Staff debtors (Advances)	9,253,849	9,253,385
Other Debtors	28,966,359	-
Prepayments	6,752,164	7,168,479
<b>Total Other Receivables</b>	<b>47,021,671</b>	<b>19,159,051</b>
<b>Total Trade and Other Receivables</b>	<b>606,130,301</b>	<b>565,846,662</b>
<b>15 INVENTORIES</b>		
	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Inventory - Water (at Cost)	291,400	296,734
Stationary	5,585,959	5,493,322
Electrical Computer & Fire Accessories	2,214,482	2,272,445
<b>Total inventories</b>	<b>8,091,841</b>	<b>8,062,500</b>

<b>16</b>	<b>BIOLOGICAL ASSESTS</b>		
		<b>2018-2019</b>	<b>2017-2018</b>
		<b>Kshs</b>	<b>Kshs</b>
	Cost at the start of the year.	150,122,342	150,122,342
	Additions during the year	-	-
	<b>Total Biological assets</b>	<b>150,122,342</b>	<b>150,122,342</b>
<b>17a</b>	<b>TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
		<b>2018-2019</b>	<b>2017-2018</b>
		<b>Kshs</b>	<b>Kshs</b>
	Trade Creditors	24,377,875	14,384,119
	Accruals	38,688,983	38,365,229
	Sundry creditors	28,623,069	15,430,390
	Retention Money (Contractors)	215,628,556	205,510,609
	<b>sub Total</b>	<b>307,318,483</b>	<b>273,690,347</b>
<b>17b</b>	Unearned Income	<b>265,573,601</b>	<b>264,926,216</b>
	<b>Total Trade Payables and Other Payables</b>	<b>572,892,084</b>	<b>538,616,563</b>
<b>18</b>	<b>REFUNDABLE DEPOSITS FROM CUSTOMERS</b>		
		<b>2018-2019</b>	<b>2017-2018</b>
		<b>Kshs</b>	<b>Kshs</b>
	Rent Deposits	78,282,682	73,736,546
	Water Deposits	90,925,372	90,140,372
	Sewer Deposits	13,839,631	13,839,631
	<b>Total deposits</b>	<b>183,047,686</b>	<b>177,716,549</b>
<b>19</b>	<b>DEFERRRED INCOME</b>		<b>Restated</b>
		<b>2018-2019</b>	<b>2017-2018</b>
		<b>Kshs</b>	<b>Kshs</b>
	At start of the Year	4,437,567,536	3,912,523,832
	Development Grant Received	820,000,000	560,672,500
	Adjustment		87,538
	Less: Deferred Income Recognized in Current Year	(17,858,167)	(17,858,167)
	Deferred Income Recognized for Next Period	(17,858,167)	(17,858,167)
	<b>As at end of Year</b>	<b>5,221,851,202</b>	<b>4,437,567,536</b>
<p>This differed income from Land, Buildings and Infrastructure since the year of acquisition (1998) from the Government amounting to Kshs. 936,970,000 acquired in differed periods from the year 1998 to 2016. The amount includes the Initial Grant from the Government of Kenys of Kshs. 22,177,000 for Land, Kshs. 98,183,000 for building and Kshs. 246,205,000 for infrastructure. This deferred amount is recognized as income in the Income Statement at the rate of Kshs. 17,858,167 in respect to the assets and their useful life</p>			
<b>20</b>	<b>RESERVES</b>		
<b>20a</b>	<b>Revaluation Reserves</b>		
		<b>2018-2019</b>	<b>2017-2018</b>
		<b>Kshs</b>	<b>Kshs</b>
	Revaluation Reserves	<b>6,728,206,312</b>	<b>6,728,206,312</b>



	<b>Accumulated Reserves at start of the Year</b>	244,279,224	244,880,445
	Current Year Deficit	1,520,447	(8,539,468)
	Adjustments for prior-Year items	-	(1,391,925)
<b>20b</b>	<b>Accumulated Reserves at end of the Year</b>	<b>245,799,671</b>	<b>234,949,051</b>
	<b>Total Reserves</b>	<b>6,974,005,983</b>	<b>6,963,155,363</b>

**21 TRANSACTIONS WITH RRELATED PARTIES**

**Nature of Related Party Relationships**

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

EPZA's other related parties include:

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

<b>21a</b>	<b>Key Management Compensation</b>	<b>2018-2019 Kshs</b>	<b>2017-2018 Kshs</b>
	<b>(i) Management Compensation (Salaries &amp; Short-term Benefits)</b>		
	Compensation to the CEO (provision)	5,656,695	12,500,991
	Compensation to Key Management	78,750,885	68,387,600
	Sub Total Management compensation	<b>84,407,580</b>	<b>80,888,592</b>
	<b>ii) Directors' remuneration</b>		
	Board Allowances	12,096,931	5,551,421
	Chairman Honoraria	776,000	384,000
	Boards Committees Conferences and Seminars	1,700,000	2,770,411
	<b>Sub-Total</b>	<b>14,572,931</b>	<b>8,705,832</b>
	<b>Total</b>	<b>98,980,511</b>	<b>89,594,424</b>
<b>21b(i)</b>	<b>Transfers from Departments of Industrialization</b>		
	<b>i) Development Grant</b>	<b>2018-2019 Kshs</b>	<b>2017-2018 Kshs</b>
	Quarter 1	-	-
	Quarter 2	-	100,000,000
	Quarter 3	410,000,000	-
	Quarter 4	410,000,000	460,672,500
	<b>Sub-Total</b>	<b>820,000,000</b>	<b>560,672,500</b>
<b>21b(ii)</b>	<b>ii) Recurrent Grant</b>		
	Quarter 1	834,300	10,200,000
	Quarter 2	784,242	10,200,000
	Quarter 3	834,300	10,200,000
	Quarter 4	817,614	5,000,000
	<b>Sub -Total</b>	<b>3,270,456</b>	<b>35,600,000</b>
	<b>Total Grant Received</b>	<b>823,270,456</b>	<b>596,272,500</b>



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**22 Cash absorbed from operations**

Description	2018-2019 Kshs	2017-2018 Kshs
<b>Reconciliation of profit before income tax to cash generated from operations</b>		
<b>Surplus before tax</b>	<b>1,520,447</b>	<b>(8,539,468)</b>
<b>Adjustments for:</b>		
Depreciation	36,808,217	36,767,348
Foreign exchange loss/gain	(2,818,207)	3,897,063
Accrued Interest Income	-	(6,978,167)
Non-Monetary (Income Grant amortization)	(17,858,167)	(17,858,167)
Gain on disposals of property plant & equipment	-	-
Changes in Current Year's Deferred Income	-	-
<b>Cash from operations before changes in Working capital</b>	<b>17,652,290</b>	<b>7,288,610</b>
<b>Changes in Working Capital:</b>		
Trade Receivables & Other Receivables	40,283,639	2,956,058
Inventories	29,341	148,170
Trade Payables & Other Payables	(34,275,520)	1,647,542
	<b>6,037,460</b>	<b>4,751,769</b>
<b>Cash generated/Absorbed from operations</b>	<b>23,689,750</b>	<b>12,040,379</b>

**23. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings & Fixtures	Infrastructure	Motor Vehicles	Furniture	Computers	Office Equipment	Work-In-Progress	Total
<b>Cost</b>	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
<b>At 30 July 2017</b>	<b>5,448,260</b>	<b>835,471</b>	<b>883,273</b>	<b>65,521</b>	<b>21,241</b>	<b>32,678</b>	<b>29,847</b>	<b>3,282,555</b>	<b>10,598,846</b>
Additions	7,000	8,834	13,352	-	3,986	5,026	210	171,126	209,534
Adjustment	-	-	3,545	-	-	-	-	34,997	38,542
Transfer	-	-	477,974	2,900	-	-	-	(480,874)	-
<b>At 30 June 2018</b>	<b>5,455,260</b>	<b>844,305</b>	<b>1,378,144</b>	<b>68,421</b>	<b>25,227</b>	<b>37,704</b>	<b>30,057</b>	<b>3,007,804</b>	<b>10,846,922</b>
<b>Cost</b>									
<b>At 1 July 2018</b>	<b>5,455,260</b>	<b>844,305</b>	<b>1,378,144</b>	<b>68,421</b>	<b>25,227</b>	<b>37,704</b>	<b>30,057</b>	<b>3,007,804</b>	<b>10,846,922</b>
Additions	-	3,704	6,594	-	138	341	3,776	620,549	635,102
Adjustment	-	-	-	-	-	-	-	36,569	36,569
Transfer	-	-	462,522	-	-	-	-	(462,522)	-
<b>At 30 June 2019</b>	<b>5,455,260</b>	<b>848,009</b>	<b>1,847,260</b>	<b>68,421</b>	<b>25,365</b>	<b>38,046</b>	<b>33,833</b>	<b>3,202,400</b>	<b>11,518,593</b>
<b>Depreciation and impairment</b>									
<b>At 1 July 2017</b>	<b>-</b>	<b>40,848</b>	<b>43,794</b>	<b>39,093</b>	<b>7,166</b>	<b>28,065</b>	<b>6,467</b>	<b>-</b>	<b>165,433</b>
Depreciation charge for the year	-	8,360	8,858	9,730	2,224	4,632	3,006	-	36,810
Disposals	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
<b>At 30 June 2018</b>	<b>-</b>	<b>49,207</b>	<b>52,652</b>	<b>48,823</b>	<b>9,390</b>	<b>32,698</b>	<b>9,472</b>	<b>-</b>	<b>202,243</b>
<b>Depreciation and impairment</b>									
<b>At 1 July 2018</b>	<b>-</b>	<b>49,207</b>	<b>52,652</b>	<b>48,823</b>	<b>9,390</b>	<b>32,698</b>	<b>9,472</b>	<b>-</b>	<b>202,243</b>
Depreciation charge for the year	-	8,360	8,858	9,730	2,224	4,631	3,006	-	36,808
Impairment	-	-	-	-	-	-	-	-	-
<b>At 30 June 2019</b>	<b>-</b>	<b>57,567</b>	<b>61,509</b>	<b>58,554</b>	<b>11,614</b>	<b>37,328</b>	<b>12,478</b>	<b>-</b>	<b>239,051</b>
<b>Net book values</b>									
<b>At 30 June 2019</b>	<b>5,455,260</b>	<b>790,442</b>	<b>1,785,750</b>	<b>9,867</b>	<b>13,751</b>	<b>717</b>	<b>21,355</b>	<b>3,202,400</b>	<b>11,279,542</b>
<b>At 30 June 2018</b>	<b>5,455,260</b>	<b>795,098</b>	<b>1,325,492</b>	<b>19,598</b>	<b>15,837</b>	<b>5,007</b>	<b>20,585</b>	<b>3,007,804</b>	<b>10,644,679</b>



# NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 24. Contingent Liabilities

	2018-2019	2017-2018
	Ksh	Ksh
Court cases against the EPZA	<u>1,075,581,836</u>	<u>1,075,581,836</u>
<b>Total</b>	<b><u>1,075,581,836</u></b>	<b><u>1,075,581,836</u></b>

## 25. TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity Sending the Grant	Amount Recognized to Statement of Comprehensive Income	Amount Deferred Under Deferred Income	Amount Recognised in Capital Fund.	Total Grant Income During the Year	30-Jun-19
	Kshs	Kshs	Kshs	Kshs	Kshs
Ministry of Industry, Trade and Cooperatives	3,270,456	-	820,000,000	823,270,456	823,270,456
<b>Total</b>	<b>3,270,456</b>	<b>-</b>	<b>820,000,000</b>	<b>823,270,456</b>	<b>823,270,456</b>

## 26. FINANCIAL RISK MANAGEMENT

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

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

### i. Credit risk

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

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

Included in the in the trade receivables (Rent, licence and water) is Kshs 234.13 million and Kshs 261.19 million categorized as Doubtful Debts and Bad Debts respectively. These debts have proved to be uncollectable and adequate provision for the doubtful debts should be made as well as writing-off bad debts.



## **(ii) Liquidity risk management**

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

## **(iii) Market risk**

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

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

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

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

### **a) Foreign currency risk**

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

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

### **b) Interest rate risk**

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

### **Management of interest rate risk**

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

### **Sensitivity analysis**

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

## **27 CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Description	2017-2018	2016-2017
	Kshs	Kshs
Court cases against the EPZA Total	1,175,581,836	1,075,581,836
	1,175,581,836	1,075,581,836

## **28 CAPITAL COMMITMENTS**

Description	2018-2019	2017-2018
	Kshs	Kshs
Authorized and Contracted for	4,871,980,922	5,272,608,209
Total	4,871,980,922	5,272,608,209

## **29 SURPLUS REMISSION**

Provisional draft Annual Financial Statement indicate that EPZA made a surplus of Kshs. 1,520,447. Once Audit is complete, 90% of the Amount will be remitted to the Consolidated Fund.

## **30 EVENTS AFTER THE REPORTING PERIOD**

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

## **31 ULTIMATE AND HOLDING ENTITY**

The Export Processing Zones Authority is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Industry, Trade and Cooperatives, State department for Industrialization . Its ultimate parent is the Government of Kenya.

## **32 Currency**

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

## XVII. APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Land As previously reported included in property, plant and equipment balance of Kshs 9,476,115,000 as at 30 June 2016 are two parcels of land Ref .LR. No. Ololoitikoshi/Kitengela/61 and 70, measuring 2 hectares and valued at Kshs 2,250,000. Although the parcels of land were acquired and gazetted through Gazette notice Nos.2802 and 2803 of 5 July 1991, the Authority had not obtained the title documents as at 30 June 2014.	(i) The Authority is in the process of obtaining ownership documents for LR. No. Ololoitikoshi/Kitengela/61 measuring approx. 1 hectare. The land was surveyed and beacons placed on the ground with the concurrence of the owner. The Authority is currently following up with the owner to formally transfer the land to EPZA. (ii) On the issue of ownership of LR. No. Ololoitikoshi/Kitengela/70 the matter is in court and the Authority is awaiting a Court's decision. As of now, the Authority has to wait for the outcome of the court case.	CEO and GM-Commercial & Technical Services.	Not Resolved	On going



2	<p>Boreholes</p> <p>In 2007, the then Ministry of Water and Irrigation developed two (2) boreholes on EPZA land, one at the disputed parcel of land next to PCEA Church Kitengela Township and the other next to the EPZA police post. The management has indicated that ownership of</p>	<p>i) The Authority is currently liaising with the Ministry of Environment, Water and Natural Resources who dug and equipped the borehole at the elevated water tank to have the bore-hole's asset formally transferred to EPZA. Attached please find the relevant correspondence.</p> <p>ii) The Borehole next to EPZA police post is situated on EPZA land and ownership is further supported by implied and</p>	CEO and GM-Commercial & Technical Services.	Not Resolved		On going
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)		Timeframe: (Put a date when you expect the issue to be resolved)
	<p>boreholes was handed over to the Authority without formal documentation and that the boreholes have been tested and confirmed to be economically viable. However, no evidence has been provided for audit review to confirm that the two boreholes have been valued and recognized as the assets of the Authority.</p> <p>In the circumstances, it has not been possible to confirm that the Property, Plant and Equipment balance of Kshs.9,476,115,000 as at 30 June 2016 is fairly stated.</p>	adverse possession over the years.				
3	<p>Trade and Other Receivables</p> <p>As previously reported, included in trade and other receivables balance of Kshs 548,866,000 as at 30 June 2016 is an amount of Kshs. 10,969,276 which relates to advances and outstanding imprests issued to ex-staff. The figure includes Kshs. 8,690,786 issued to former Chief Executive</p>	<p>The former CEO was dismissed and ordered to pay the Authority all outstanding monies. This matter was forwarded to Ethics and Anti-Corruption Commission and the former officer is under investigation pending conclusion.</p>	CEO	Not Resolved		<p>On-going.</p> <p>The former CEO's case will be dependent upon the EACC conclusion of the matter.</p>

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Officer of the Authority. The former CEO disregarded the Government code of regulations (H10) on advance of salary which provides that an advance of not more than one month salary may be granted to an officer owing to circumstances beyond his/her control.</p> <p>It further provides that advance may be granted only when an officer has no other outstanding salary advance and should not be more than two within one year. The Authority's internal management policy also provides that in the absence of a written arrangement, recoveries of advance to staff should be done through the payroll which was contravened.</p> <p>Further by the former CEO using the Authority's senior officers approved and authorized salary advances and other forms of advances</p>				



Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)		Timeframe: (Put a date when you expect the issue to be resolved)
	<p>for himself without seeking approval from the Board of Directors. This was in total disregard of Government regulation and the Authority's staff manual governing salary advances.</p> <p>In addition, amount of Kshs.980,919 granted to him as imprest should have been surrendered within 48 hours after completion of assignment for which the imprest was issued. This amounts to violation of existing regulation and abuse of office by former CEO. Consequently, the accuracy and recoverability of trade and other receivables balance of Kshs.548, 866,000 as at 30 June 2016 could not be confirmed.</p>					

Chief Executive Officer.....

Chairman of the Board.....

Sign.....

Sign.....

Date. 24.7.2020.....

Date. 24.7.2020.....

Guidance Notes:

(i) Use the same reference numbers as contained in the external audit report

# **XVIII. APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

Projects

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)

A DEVELOPMENT OF ATHI RIVER TEXTILE HUB and Leather Park at Athi River EPZ, Machakos County							
Project in Order of Category, Priority and Justification		Contractor	Status	Estimated Project cost	Proposed Budget FY 2018-19	Cumulative Expenditure as at 30 June 2019	Cumulative Outstanding Project Cost as at 30 June 2019
On-Going Projects							
1	Construction of Phase II & Phase III new units of Industrial Sheds (183,832 Square Meters) at the Athi-River Textile Hub to host textile companies creating 100,000 new jobs	EPZA Tender No. 04/2014-2015 Contracted Party - China National Aero Technology International Corporation (CATIC) Location - Athi-River Textile Hub (Athi-River EPZ, Machakos County)	Large Industrial Sheds: 98% complete for 8 units in Cluster 2 & 3 - building works practically complete; Roofing completed; Civil works at 70% for Cluster 2 and 50% for Cluster 3; 90% complete for 8 units in Cluster 1 & 4 - building works practically complete; Roofing & Finishes nearing completion; Civil Works pending. SME Sheds 90% complete overall for 4 units and awaiting completion of civil works; 80% complete overall for remaining 4 units. Roofing & Finishes ongoing.	1,367,710,473	294,346,578	1,228,286,141	139,424,332
	Construction of Phase II & Phase III new units of Industrial Sheds (183,832 Square Meters) at the Athi-River Textile Hub to host textile companies creating 100,000 new jobs Total Projected cost of new proposed		Large Industrial Sheds: 98% complete for 8 units in Cluster 2 & 3 - building works practically complete; Roofing completed; Civil works at 70% for Cluster 2 and 50% for Cluster 3; 90% complete for 8 units in Cluster 1 & 4 - building works practically	394,000,000	233,486,422	-	394,000,000



	tender for completion of civil works at EPZ Industrial sheds		complete; Roofing & Finishes nearing completion; Civil Works pending. SME Sheds 90% complete overall for 4 units and awaiting completion of civil works; 80% complete overall for remaining 4 units. Roofing & Finishes ongoing.				
3	Construction of 6 Kms of new Paved Roads (Lot 2)	EPZA Tender No. 02/2014-2015 Contracted Party - Aridlands Construction Co. Ltd. Location - Athi-River Textile Hub (Athi-River EPZ, Machakos County)	Ongoing 98% complete overall. Currently completing drainage and pedestrian pavements;  Project Under Investigations	502,464,180	-	419,154,503	83,309,677
4	Roads (Lot 2 completion, repairs and maintenance of old roads)	EPZA Tender No. 26/2015-2016 Contracted Party - Aridlands Construction Co. Ltd. Location - Athi-River Textile Hub (Athi-River EPZ, Machakos County)	Ongoing 75% complete;  Project under Investigations	146,272,981	-	90,377,145	55,895,836
5	Construction of 8.3 Kms of new Water Supply and Distribution Pipeline and 6,500 Cubic Meters Storage Tank	EPZA Tender No. 03/2014-2015 Contracted Party - Hirola Investments Ltd. Location - Athi-River Textile Hub (Athi-River EPZ, Machakos County)	Ongoing 98% complete. Currently addressing snags on water tank;  Amount remaining relates to Retention	384,684,455	-	346,216,010	38,468,446
6	Civil Works (Perimeter Fencing, Gate/Guard House, Road Works and Drilling of Borehole)	EPZA Tender No. EPZA/03/2015/2016 Contracted Party - Isfahan Contractors Ltd. Location - Samburu EPZ Industrial Park (Kwale County)	Completed  Box Culverts to be procured separately due to contract expiry before variation;	51,424,543	-	48,853,316	2,571,227
7	Branding, Communications and Marketing Consultancy	EPZA/RFP/02/2015-2016 Contracted Party - True North	Ongoing 80% complete.  New Brand	21,619,200	7,500,000	7,855,996	13,763,204



		Associates & Transcend Media Group (TMG) Coverage - National, Regional & International	Identity developed for EPZA and Kenya Leather Park. New Branding, Communications & Marketing Strategy developed for EPZA				
8	Feasibility Study, Business Case & Technical Advice for Textile and Apparel Skills and Productivity Resource Center	EPZA RfP No. 04/2015-2016 Contracted Party - Gherzi Consultants (India) in JV with Voyants (Kenya) Coverage - Athi-River Textile Hub (Athi-River EPZ, Machakos County)	Ongoing 70% complete. MOU signed with NITA for roll-out	29,535,251	12,000,000	21,999,812	7,535,439
9	Partitioning, Fit-out and Equipping of Textile and Apparel Skills and Productivity Resource Center	EPZA Tender No. 27/2015-2016 Contracted Party - Charwins Ltd. Location - Athi-River Textile Hub (Athi-River EPZ, Machakos County)	Ongoing 65% complete;	20,330,875	15,000,000	12,307,730	8,023,146
10	Construction of 8 Km long Pre-cast Concrete fencing to upgrade security at the Athi-River Textile Hub	EPZA Tender No. 03/2016-2017 Contracted Party - Atticon Limited Location - Athi-River Textile Hub (Athi-River EPZ, Machakos County)	Ongoing 65% complete;	165,281,887	65,500,000	96,275,630	69,006,257
11	Construction of 7.5 Kms long Trunk Sewer for Phase II Lot 3 at Athi-River Textile Hub	EPZA Tender No. 03/2016-2017 Contracted Party - Dexterous Limited Location - Athi-River Textile Hub (Athi-River EPZ, Machakos County)	Ongoing 30% complete;	213,278,865	69,500,000	72,223,000	141,055,865
12	Decommissioning of dumpsite and Construction of Other Civil Works at Athi-River EPZ	EPZA Tender No. 12/2016-2017 Contracted Party - Marcann Contractors Co. Ltd. Location - Athi-River Textile Hub (Athi-River EPZ, Machakos County)	Ongoing 20% complete;  Project Under Investigations	150,260,710	-	35,344,800	114,915,910

13	Feasibility Study, Business Case; Acquisition of land; Civil Works (Perimeter Fencing, Gate/Guard House, Road Works and Drilling of Borehole Homa Bay EPZ Industrial Park	Initial Works	Lease executed for 110 acres of land between EPZA and Homa Bay County Government for 65 years; Planning Stage for rolling out fencing and masterplanning	14,000,000	-	-	14,000,000
14	Feasibility Study, Business Case; Acquisition of land; Civil Works (Perimeter Fencing, Gate/Guard House, Road Works and Drilling of Borehole - Voi EPZ Textile Industrial Park	Initial Works	Potential land identified; Awaiting funding	1,000,000	1,000,000	346,000	654,000
15	Proposed construction of external ablution blocks & zone food kiosks at Athi River EPZ	Initial Works	Ongoing	5,000,000	5,000,000	155,262	4,844,738
16	Construction of perimeter wall at EPZA-Makadara plot (Mavoko) acquired as a Way-leave for Lot 1 Sewer line passage.	Initial Works	Ongoing	1,000,000	1,000,000	275,466	724,534
17	Renovation and refurbishment of Phase I Athi-River EPZ Industrial Sheds, SME Parks (Incubator 1 & 2), Zone Office	Initial Works	Ongoing	12,000,000	12,000,000	500,000	11,500,000
18	Refurbishment and renovation of EPZA staff housing at Kinannie and Beacon ranch; repairs to Beacon ranch water tank	Initial Works	Ongoing	3,000,000	3,000,000	279,643	2,720,357

	(Mlolongo), Police post, Fire station; Pump house and construction of water bowser selling point						
19	Construction of 5 (five) High level security watch towers at the Athi River zone and housing area @ Kshs. 250,000 each (Kshs. 1.25 Mn.); Construction of Five additional (5) electric masts for Athi River Zone (Kshs. 13 Mn.); Refurbishment and erection of security guard posts and washrooms (clinic gate, police gate, housing area gate, beacon ranch, High level water tank); construction of fire breaks and patrol roads along the perimeter fence (Kshs. 1 Mn.)	Initial Works	Ongoing	15,250,000	15,250,000	12,985,500	2,264,500
20	Brand development and positioning costs for EPZ program, Textile and Apparel Sector Investment Opportunities	Initial Works	Ongoing	20,000,000	20,000,000	6,500,000	13,500,000
21	Purchase and Installation of CCTV Cameras at Head Office Phase II (Kshs. 15 Mn.); CCTV Kinanie (3 Mn.); Installation of 13 Walkthrough Metal and hand held Detectors for EPZA Athi-River (6.5 Mn.)	Initial Works	Ongoing	35,500,000	36,500,000	1,246,145	34,253,855



	and Security & Safety (physical & Electronic) signages (1M); Smart Gate Access Control System and Fencing of EPZA HQ Buildings (Kshs. 10 Mn.)						
22	Procure statutory approvals e.g. NEMA, NCA, NLC, County Government etc. for EPZ projects; Conduct Assets valuation	Initial Works	Ongoing	9,000,000	9,000,000	1,000,000	8,000,000
23	Physical planning, survey and demarcation/sub-division of Homabay, Voi, Samburu EPZ and other EPZ projects at Kshs. 5 Mn	Initial Works	Ongoing	5,000,000	5,000,000	4,951,620	48,380
24	Drilling, equipping and housing of 4 boreholes at EPZA Athiriver zone to boost water supply at the Zone @ kshs 3 Mn. each and Treatment Plant at Kshs 8 Mn.	Initial Works	-	20,000,000	20,000,000	487,000	19,513,000
25	Purchase 2 no. 4x4 SUVs (28 Mn); 1 no. 4x4 Pickup (7Mn); 6no. Motorbikes (300,000); 1 no: 1 no. 22 seater Van (5M).	Initial Works	Ongoing	40,300,000	25,300,000	-	40,300,000
Total (Development of Athi-River Textile Hub)				3,479,838,374	875,383,000	2,456,432,299	1,023,406,075

**DEVELOPMENT OF LEATHER  
INDUSTRIAL PARK At Kinanie EPZ,**

**B Machakos County**

	Project in Order of Category, Priority and Justification		Status	Estimated Project Cost	Final Budget FY 2018-19	Actual Expenditure as at 30 June 2019	Outstanding Project Cost 30 June 2019
1	Construction of Kenya Leather Park Internal Access Roads and Civil Works	EPZA Tender No. Roads - EPZA Tender No. 29/2016-2017 Contracted Party - Marcann Contractors Co. Ltd. Location - Kenya Leather Park (Kinanie EPZ), Machakos County)	Ongoing 98% complete; Drainage works ongoing;	146,111,497	-	136,324,196	9,787,301
2	Design & Construction Supervision of modern Common Effluent Treatment Plant (CETP) at the Kenya Leather Park	EPZA Tender No. EPZA Tender No. 17/2014-2015 Contracted Party - Shah Technical Consultants Pvt Ltd. (India) & Intergrated Science & Engineering Projects Ltd. (Kenya) - Joint Venture Location - Kenya Leather Park (Kinanie EPZ), Machakos County)	Ongoing 60% complete; See attached project report and photos	59,011,334	11,800,000	44,394,799	14,616,535
3	Design & Construction Supervision of Water Supply, Storage and Distribution Infrastructure at the Kenya Leather Park	EPZA Tender No. EPZA RFP No. 01/2016-2017 Contracted Party - Kiri Consult Ltd. Location - Kenya Leather Park (Kinanie EPZ), Machakos County)	Ongoing 70% complete;	54,357,600	10,900,000	18,169,920	36,187,680
4	EPCO Contract for Construction of modern Common Effluent Treatment Plant (CETP)	KLP/KLDC- EPZA Tender No. 1/2016-2017 Contracted Party - EPCO Builders Ltd. at Kshs. 2,265,324,233.3	Ongoing 23.5% complete;	1,132,662,117	80,000,000	139,922,229	992,739,888

	and Associated Infrastructur e at the Kenya Leather Park	3 (EPZA contribution at 50%) Location - Kenya Leather Park (Kinanie EPZ), Machakos County)					
Sub-Total (Development of Leather Park at Kinanie)				1,392,142,548	102,700,000	299,181,768	1,092,960,780
Grand Total				4,871,980,922	978,083,000	2,755,614,067	2,116,366,855



# **XIX. APPENDIX III: INTER-ENTITY TRANSFERS**

	ENTITY NAME:	Export Processing Zones Authority		
	Break down of Transfers from the State Department of Investment and Industry			
	FY 2018/2019			
a.	Recurrent Grants			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		28/09/2018	834,300	FY 2018/2019
		24/12/2018	784,242	FY 2018/2019
		19/02/2019	834,300	FY 2018/2019
		17/05/2019	817,614	FY 2018/2019
		<b>Total</b>	<b>3,270,456</b>	
b.	Development Grants			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		19/02/2019	410,000,000	FY 2018/2019
		03/06/2019	410,000,000	FY 2018/2019
		<b>Total</b>	<b>820,000,000</b>	

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

Manager-Finance & Accounts  
EPZ Authority

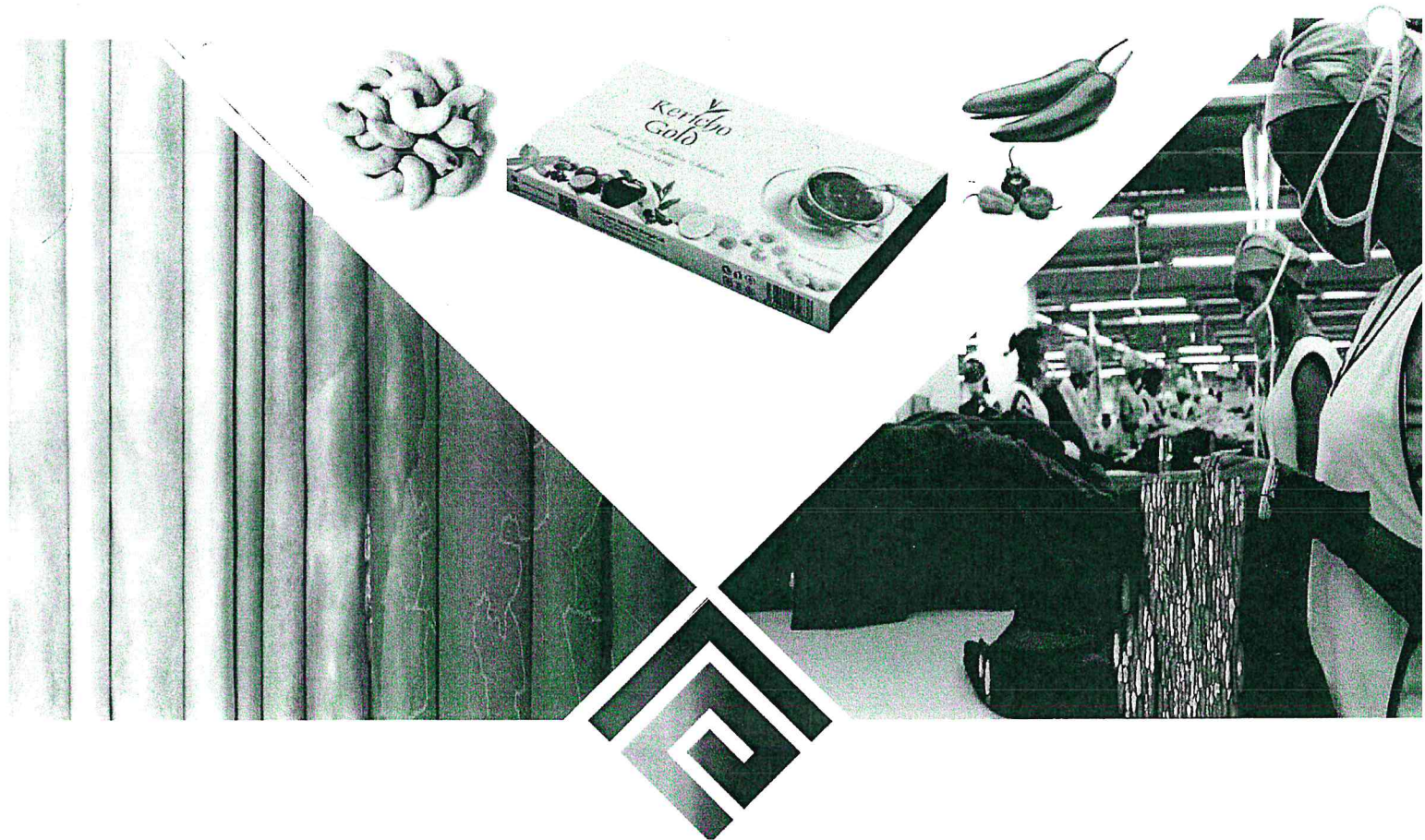
Head of Accounting Unit  
State Department for Investment & Industry

Sign

Sign

Sign





# EPZA

EXPORT PROCESSING  
ZONES AUTHORITY | **KENYA**  
Your Investment & Trade Partner

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