

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

EXPORT PROCESSING ZONES AUTHORITY

**FOR THE YEAR ENDED
30 JUNE, 2021**

THE NATIONAL ASSEMBLY	
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DATE: 16 NOV 2022	DAY: Wednesday
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CLERK AT THE TABLE:	Maurice Wanjiku



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

EXPORT PROCESSING ZONES AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2021**

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

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1. KEY EPZA INFORMATION AND MANAGEMENT

(a) Background information

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

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

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

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

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

(b) EPZA Principal Activities

Vision

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

Mission

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

Core Objectives

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

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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 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag.Chief Executive Officer	Mr. Henry Obino
2.	Ag.General Manager, Commercial & Technical Services	Mr. John Akara
3.	Ag.General Manager, Operations& Investor Support	Mr. Beatrice Njenga
4.	Ag.General Manager, Investment & Corporate Communications	Mr. Benjamin Chesang
5.	Ag. General Manager, Finance, HR & 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.	Ag.Manager, Supply Chain	Mr. Edgar Abayo
10.	Ag.Manager, Preventive Services	Mr. Didacus Atiang

(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.

Board Audit Committee

The functions of the Board Audit Committee will include: -

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

Finance and Staff Committee

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

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

Strategy, 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

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- 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.

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
Website: www.epzakenya.com

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(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
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(j) Principal Legal Adviser

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

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2. 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>Paul Gicheru EPZA Chairman Appointment expired 19th September 2021</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 & Company Advocates. He has previously served as the Chairman of the Public Procurement Regulatory Authority.</p>
2	 <p>Ben Oluoch Olunya EPZA Chairman Appointed 6th October 2021</p>	<p>Mr. Ben Oluoch is the Board Chairman of the Export Processing Zones Authority (EPZA). He is an Advocate of the High Court of Kenya with a wide experience and a Commissioner of Oaths and a Notary Public.</p>
3	 <p>Amb. Kirimi Kaberia, CBS Principal Secretary - State Department of Industrialization, Masters Degree in International Law (LLM)</p>	<p>Amb. Kirimi Kaberia, is the Principal Secretary, State Department of Industrialization in the Ministry of Industrialization, Trade and Enterprise Development. He is a holder of a masters degree in International Law. Ambassador Kirimi was educated in Kenya, the United States and Spain. He is a career Diplomat having served in many countries. He was the Principal Secretary for State Department for Mining & Petroleum before his posting to the State Department for Industrialization. He has also served as PS in the Ministries of Petroleum and Mining, and Defence. Other assignments include but not limited to; Ambassador Extraordinary and Plenipotentiary to Brazil, Colombia, Venezuela Chile, and Argentina, Deputy Ambassador and Head of Chancery Kenya Embassy in Madrid, Spain, Counselor and Head of Chancery Kenya Embassy in Paris and the Holy Sea.</p>
4	 <p>Roy G. Nyangena</p>	<p>Mr. Roy G. Nyangena is the Alternate Director to the Principal Secretary of the State Department for Industrialization.</p>

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5	 <p>Stanley Kagera Economist MA (Economic Policy)0 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>
6	 <p>Dr. Lydia Ndirangu 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>
7	 <p>Dr. Moses Ikiara 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>
8	 <p>Hon. Kisoi Munyao - Entrepreneur BBA (International Centre for Leadership & 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>


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9	 <p>Christine Atieno Otieno Advocate,LLB</p>	<p>Ms. Christine Atieno Otieno, is a member from the Private Sector. She is an Advocate of the High Court of Kenya, Certified Notary Public and Certified Commissioner of Oaths. Born in 1966, she holds LLB form University of Nairobi. Christine is a partner at Maangi & Otieno Advocates and she is in charge of Finance and Administration. She is a well-experienced advocate, researcher in human rights and violence against women, a gender specialist, and a policy analyst in law reforms and development issues. Also, she has experience in regional and international instruments and declarations.</p>
10	 <p>Frank Ochieng' Walukwe Advocate, LLB</p>	<p>Mr. Frank Ochieng Walukwe is a member from the private sector. He is an Advocate of the High Court of Kenya, Certified Notary Public and Certified Commissioner of Oaths. Born in 1986, he holds LLB and currently pursuing Masters in Tax and Customs Administration and, at the same time he is a certified Professional Mediator. He is an experienced researcher, Advocate and currently, he is the Managing Partner at Ochieng' Walukwe & Associates.</p>
11	 <p>Eva Buyu Msando-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>
13	 <p>John Kamama BSC(Admin & Leadership)</p>	<p>Mr. John Kamama is a member from the private sector. Born in 1961, he holds a Bachelor's of Science in Administration and Leadership from Jomo Kenyatta University of Science and Technology. Mr. Kamama has served as the vice chairman for Kenya National Chamber of Commerce and Industries (KNCCI) and has over 5 years' experience in leadership and governance.</p>




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14	 <p>Tabitha Wanjiru Bcom (Business Administration)</p>	<p>Ms. Tabitha Wanjiru Mwangi is the representative of Commissioner General, Kenya Revenue Authority. Born in 1968, she holds a Bachelor's degree in Commerce (Business Administration) from University of Nairobi. Ms Tabitha is currently the Chief Manager, Quality Management Systems and the Licensing function in Customs & Border Control Department and has worked in several managerial positions including Manager in charge of Exports & EPZ at Nairobi Customs Station (KRA).</p> <p>Ms Tabitha has over 30 years' experience in both local and international organizations including Kenya Revenue Authority.</p>
15	 <p>Henry Obino Acting CEO-EPZA MBA(Strategic Management) Appointment expired 20th August 2021</p>	<p>Mr. Henry Obino is the Ag. Chief Executive Officer of EPZA. Born in 1964, Mr. Obino is a holder of a Masters degree in Business Administration majoring in strategic management from Moi University.</p> <p>Mr. Obino has over 32 years of experience in different capacities and disciplines. He has good understanding of government operations, programmes and policy development requirements. Prior to his current deployment, he was the Secretary of Administration in the Ministry of Industrialization, Trade and Enterprise development. While in the Ministry, he was responsible for coordination of all administrative and financial functions of the Ministry. He has also worked in several capacities including but not limited to Director of Administration, Senior deputy Secretary, Senior District Commissioner among others. In addition to being in charge of day-to-day operations of EPZA, Mr Obino is also responsible for execution and communication of Board's strategies, decisions and policies.</p>
16	 <p>Hussein Adan Mohamed Ag. Chief Executive Officer MSC Procurement and Logistics Appointed 6th February 2022</p>	<p>Mr. Hussein is the Ag. Chief Executive Officer at EPZA. Born in 1990, Mr Hussein joined EPZA in August 2021 as the Head of Supply Chain. He is a procurement and logistics professional with over ten years' experience enhancing operations efficiency through strategic planning. Previously, he worked at KEMRI as assistant manager supply chain for over 9 years. He holds an MSc. Procurement and Logistics from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Bachelors of Business Management Procurement and Supplies Management from Mount Kenya University (MKU), Diploma in Purchasing and Supplies Management (MKU) and Certificate in Management from KIM. Hussein is an active member and co-opted council member of Kenya institute of supplies management (KISM) and holds a practicing license from the institute. He also attended strategic leadership development program (SLDP) and senior management course (SMC) from Kenya School of Government.</p>

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17	 <p>Winnie Sang - Advocate, LLB Ag. Corporate Secretary & 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>
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3. MANAGEMENT TEAM

No	Passport-size photo, name, and key profession/academic qualifications	Main Area of Responsibility
1	 <p>Henry Obino Acting CEO-EPZA MBA (Strategic Management) Appointment expired 20th August 2021</p>	<p>Mr. Henry Obino is the Ag. Chief Executive Officer of EPZA. Born in 1964, Mr. Obino is a holder of a Masters degree in Business Administration majoring in strategic management from Moi University.</p> <p>Mr. Obino has over 32 years of experience in different capacities and disciplines. He has good understanding of government operations, programmes and policy development requirements. Prior to his current deployment, he was the Secretary of Administration in the Ministry of Industrialization, Trade and Enterprise development. While in the Ministry, he was responsible for coordination of all administrative and financial functions of the Ministry. He has also worked in several capacities including but not limited to Director of Administration, Senior deputy Secretary, Senior District Commissioner among others. In addition to being in charge of day-to-day operations of EPZA, Mr Obino is also responsible for execution and communication of Board's strategies, decisions and policies.</p>
2	 <p>Hussein Adan Mohamed Ag. Chief Executive Officer MSC Procurement and Logistics Appointed 6th February 2022</p>	<p>Mr. Hussein is the Ag. Chief Executive Officer at EPZA. Born in 1990, Mr Hussein joined EPZA in August 2021 as the Head of Supply Chain. He is a procurement and logistics professional with over ten years' experience enhancing operations efficiency through strategic planning. Previously, he worked at KEMRI as assistant manager supply chain for over 9 years. He holds an MSc. Procurement and Logistics from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Bachelors of Business Management Procurement and Supplies Management from Mount Kenya University (MKU), Diploma in Purchasing and Supplies Management (MKU) and Certificate in Management from KIM. Hussein is an active member and co-opted council member of Kenya institute of supplies management (KISM) and holds a practicing license from the institute. He also attended strategic leadership development program (SLDP) and senior management course (SMC) from Kenya School of Government</p>
3	 <p>John O.B Akara Ag GM-Commercial & Technical Services MIA(EPM), MA(Econ.)</p>	<p>Mr. Akara, the Acting General Manager Commercial and Technical Services, 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 Navarra, Spain. Mr Akara has vast experience in matters of development, investment promotion and management in both private and public sectors.</p>

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4	 <p>Beatrice Njenga Ag.GM-Operations Support MBA-IBM, MCIPS</p>	<p>Ms Beatrice Njenga is the Ag. General Manager, Operations and Investor Support at EPZA. Born in 1981, Ms. Njenga holds an MBA (International Business Management), Professional Graduate Chartered Institute of Purchasing & Supplies, Bachelor of Commerce (Marketing). She has vast experience in management from various organizations. In the Public Sector, she has worked for NSSF and KenInvest.</p>
5	 <p>Benjamin Chesang Ag.GM-Investment & Corporate Communications, MA, BA (Economics)</p>	<p>Mr. Chesang is the Acting General Manager, Investment & 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>
6	 <p>Denis Kinyua Manager-Finance & Accounts MSc-Finance & 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 & 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>
7	 <p>Winnie Sang - Advocate, LLB Ag. Corporate Secretary & 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>

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8	 <p>Edgar Vincent Abayo Ag. Manager- Supply Chain BCOM (Purchasing and Business Logistics)</p>	<p>Mr Abayo is the Acting Manager-Supply Chain. Born in 1988, he is a holder of Bachelor of Commerce (Purchasing and Business Logistics), a Post graduate diploma in Procurement and supply and he is currently pursuing MBA (Corporate Management).</p> <p>He is experienced in Procurement planning cycle process, Contract Management, Supplier and Customer Relationship Management and Budgeting.</p>
9	 <p>Miriam Mutuma Ag. Manager- Human Resources & 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>
10	 <p>Jorum Ngunyi 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>Didacus Atiang Ag. Manager- Preventive Services MBA (Corporate Management), BA (Criminology), ASIS International</p>	<p>Mr Atiang is the Acting Manager-Preventive Services at Export Processing Zones Authority. He is a holder of MBA in Corporate Management from KCA University and 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>

4. 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 2021.

The Export Processing Zones Authority (EPZA) was able to undertake its core mandate and activities during the year under review. During the planned period, EPZA has developed specific strategies to address the expansion/improvement of industrial infrastructure, employment creation, diversification of products & markets, institutional strengthening capacity and revenue generation.

In the year under review, EPZ performance on value of investment, sales to domestic and expenditure by EPZ firms on purchases of local goods and services saw an upward trend. For instance, EPZ investment rose by 7% while expenditure on local goods and services rose by the same rate in the year ended June 2021.

On the other hand, exports and total sales increased by 21% and 16.8% respectively in the year ending June 2021 compared to similar period of 2020. EPZ program relies on international trade for most of the inputs/raw material and also market for finished goods. Hence, unprecedented disruption of global supply chain resulting from the Corona Virus disease when it was declared a global pandemic affected EPZ program performance.

Export Processing Zones contribution to the national economy has been rising steadily over the years. In 2020/21, the EPZ contribution to the total manufacturing sector employment accounted for 17.59% from 17.09% posted in the year 2019/20. While at the same time, the contribution to manufacturing sector output stood at 3.39% in year 2020/21 from 3.34% registered in the previous year.

The safety and health of our employees and the communities in all the EPZ zones in has been our top priority. Since the outbreak of Covid-19 we have implemented several measures across our operations to prevent the spread of infection as well as working alongside government to deliver a coordinated response to the response. We are constantly reviewing the situation to ensure we are responding effectively to all health, operational and financial concerns.

The growth of the EPZ program is expected to improve in 2021 owing to the easing of the Covid 19 pandemic through 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 growth of the program. 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.



Ben Oluoch Olunya
Chairman

5. 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, 2021.

Operating Results

A surplus of Kshs 4.93 million was realized during the period ending 30 June 2021 compared to the surplus of Kshs 5.69 million reported in the FY 2019/20. The year on year (YoY) surplus declined by half as a result of increase in provision for bad debts by Kshs 24.37 million at the end of the financial year ending 30 June 2021. This is as management adopted a conservative accounting to manage its current business risks resulting from decreased rent repayment rate and request for rent waivers as investors recover from the revenging economic effects posed by COVID-19 pandemic

For the financial year ending 30 June 2021, The Authority managed to generate Kshs 558.52 million against the budget revenue target of Kshs 563.61 million representing a 99.1% target achievement.

Appropriation-in-Aid was Kshs 469.10 million for the period ending 30 June 2021 against a budget of Kshs 474.15. This represents 99% achievement against the target.

The Authority's operating expenditure (without the foreign currency exchange factor) stood at Kshs 558.72 million against a revenue income of Kshs 558.52 million recording an operating deficit of Ksh.0.2 million for the period ending 30 June 2021. The operating deficit was a result of increase of expenditure in hospitality supplies & services, maintenance of vehicles and other operating expenditure as detailed in expenditure analysis in page 6 of this paper.

Performance of EPZ Programme

In the year ended 30 June 2021, most performance indicators were on an upward trend compared to year 2020 as the program continued to navigate the adverse impact of Covid -19 pandemic. The number of gazetted zones rose to 80 in 2021 from 75 in 2020.

Export and total sales value increased by 21% and 16.8% to stand at Kshs 85,405 million and Kshs 87,804 million respectively in 2021 from Kshs 70,577 million and Kshs 75,178 million in 2020. Sales to the domestic market stood at Kshs 3,230 million in 2021 from Kshs 5,788 million in 2020.

Direct Employment expanded to 60,075 persons in June 2021 from 52,598 persons in 2019/20. Recovery of lost employment caused by the pandemic and creation of additional jobs within the program remained a priority activity of the Authority in the Post Covid -19 Era.

Cumulative investment for operating enterprises and zones in the form of machinery, equipment, funds, assets and zone infrastructure invested stood at Kshs 117,215 million from Kshs 109,097 million in 2020. This was attributed to entry of new firms into the program and the expansion of the existing ones.

Imports increased by 21.9% to stand at Kshs 40,805 million from Kshs 33,482 million in 2019/20 as the firms imported raw materials like fabric and accessories together with other inputs and machinery which had been adversely affected by the disruption of supply chain during the pandemic period.

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Expenditure on local goods and services increased by 7% in 2021 to stand at Kshs 32,822 million from Kshs 30,675 million recorded in 2019/20. This translated to an average of Kshs 2,735 million being injected into the economy by EPZ firms monthly in the year ended 30th June 2021 compared to Kshs 2,556 million in the previous year. These resources go to the payment of local workers' salary /wages, local supply of raw materials, inputs/consumables, electricity, telecommunication, water, rent, transport, among others, which at the end day stimulate demand and growth of the domestic economy.

The expenditure has promoted development in the areas surrounding gazetted EPZs like Athi River, Kitengela, Changamwe in Mombasa and more recently in Mtwapa among others where there is concentration of zones and enterprises. In these areas, there has been increased need for public and social amenities such as houses, shopping centers, schools, hospitals, courtesy of the EPZ program.

Significance of EPZ Program to National Economy

Export Processing Zones contribution to the national economy has been rising steadily over the years. This contribution became more significant with the coming into effect of African Growth and Opportunity Act (AGOA).

In 2020/21, the EPZ contribution to the total manufacturing sector employment accounted for 17.59% from 17.09% posted in the year 2019/20.

In the year under review, EPZ contribution to manufacturing sector output stood at 3.39% in year 2020/21 from 3.34% registered in the previous year.

EPZ exports to total Kenya exports stood at 11.46% in 2020/21 from 11.49% in the year 2019/20.

Contribution to Gross Domestic Product (GDP) at market price of the economy was 0.749% in 2020/21 from 0.753% in the year 2019/20.

Operational Challenges

The performance of the EPZ program has been curtailed by following challenges.

High cost of doing business; This is still an issue affecting performance of the EPZ investors a great concern been on the high cost of electricity.

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.

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.

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Pharmaceuticals firms operating within the EPZ program encounter lengthy product registration/approval process by relevant agencies. This has been compounded by lack of harmonized standards within the region and in Africa. In addition, firms which sell to the local market face numerous taxes and levies which make their product uncompetitive as their peers operating within the Customs territory have an edge as they enjoy zero rate preference.

Access to financing has been a challenge to EPZ investors especially the small enterprises, hence there are unable to meet their operational obligations on a timely basis.

EPZ firms are constraint 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.

Way forward/required support

Diversification of products eligible under AGOA. Extension of AGOA with effect from October 2015 to September 2025 provided an opportunity to promote other products for export to the US market.

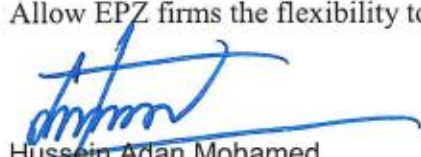
Improve market access to the EAC: EPZ firms are constrained by limited EAC market to only 20% of their total export. This is important market and especially with South Sudan having joined it.

EPZA to continue marketing EPZ products in international exhibitions as well as identifying export markets through research;

Encourage EPZ Agro processing firms to subcontract farmers to ensure availability of raw materials. This will also assist in dealing with emergence of brokers who destabilizes the industry like what is unfolding in the macadamia sub sector;

Increase the level of domestic sales to 70% for EAC partner states and tax based on imported content;

Allow EPZ firms the flexibility to choose mode of transport for goods destined upcountry



Hussein Adan Mohamed
Ag. Chief Executive Officer

6. STATEMENT OF EPZA PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/21

EPZA has six (6) Strategic pillars (KRAs) anchored by the Strategic Plan 2019-2023. The strategic pillars are as follows: -

1. Contributions to Economic Growth
2. Diversification of products and markets
3. Contribution to employment
4. Leadership and sound governance
5. Corporate Branding and image
6. Revenue growth and Financial management

7. 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.

Board Composition

The Board is currently comprised of 13 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 2019/2020, 6 quarterly meetings and 8 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.

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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 (16)	Finance and Staff Board Committee (9)	Strategy, Investments & Special Projects Committee (10)	Board Audit Committee (4)	Board HR and Admin Committee (7)
Mr. Paul Gicheru	11	N/A	N/A	N/A	N/A
Ms. Betty C. Maina					
Ms. Doris Githua*	9	3	6		3
Ms. Lilian Moraa*	3	2	1	1	2
Mr. Roy Nyagena	3				2
Dr. Lydia Ndirangu	15	2	6	3	2
Mr. Stanley Kagera	15	6	8	N/A	7
Mr. Walter Kamau	11		7	3	N/A
Mr. Job Wanjohi	4	1	3	1	
Mr. John Kamama	16	2	7	N/A	7
Ms. Eva Buyu Msando	16	7	N/A	N/A	6
Ms. Tabitha Mwangi	13	N/A	3	3	2
Dr. Moses Ikiara	15	7	8	N/A	N/A
Mr. Pius Rotich*					
Ms. Donna Atieno*		2			
Mr. Robert Bwire*			1		
Mr. Guracha Abdi*	1				
Hon. Kisoi Muniyao	16	N/A	10	3	N/A
Mr. John Kisegu	8	N/A	N/A	2	2
Ms. Christine Atieno	15	1	9	4	4
Mr. Frank Walukwe	16	9	6	N/A	2
Ms. Gertrude Nguku	7	N/A	4	1	1
Ms. Mercy Nyamweya*	1				
Mr. Henry Obino	14	8	10	N/A	6

*Representatives of Board Members

Board Committees

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

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

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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 2020/2021

Finance and Staff Board Committee		
Chairperson	Frank Ochieng Walukwe	Private Sector
	Mr. Stanley Maina Kagera	Representing Principal Secretary/The Treasury
	Dr. Lydia Ndirangu	Central Bank of Kenya
	Ms. Christine Atieno Otieno	Private Sector
	Dr. Moses Ikiara	Managing Director/ Kenya Investments Authority
	Mr Job Wanjohi	Kenya Association of Manufacturers
	Chief Executive/EPZA	Member
Board Audit Committee		
Chairperson	Ms. Eva Buyu	Member/Private Sector
	Hon. Kisoi Munyao	Private Sector
	Ms. Tabitha Mwangi	Alternative Member/Commissioner of customs
	Ms. Getrude Nguku	Representing National Lands Commission
	Mr Job Wanjohi	Kenya Association of Manufacturers
Strategy Investments and Special Projects Board Committee		
Chairman	Hon. Kisoi Munyao	Private Sector
	Dr. Moses Ikiara	Managing Director/ Kenya Investments Authority
	Ms. Getrude Nguku	Representing National Lands Commission
	Mr. Stanley Maina Kagera	Representing Principal Secretary/The Treasury
	Ms. Christine Atieno Otieno	Private Sector
	Mr. John Kamama Mbugua	Private Sector
	Chief Executive/EPZA	Member
Human Resource and Administration Board Committee		
Chairman	Mr. John Kamama Mbugua	Private Sector
	Dr. Lydia Ndirangu	Central Bank of Kenya
	Mr Joseph Kisegu	State Corporation
	Mr. Frank Walukwe	Member/Private Sector
	Mr. Stanley Maina Kagera	Representing Principal Secretary/The Treasury
	Ms. Eva Buyu	Private Sector
	Ms. Christine Atieno Otieno	Private Sector
	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.

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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

8. MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

A surplus of Kshs 4.93 million was realized during the period ending 30 June 2021 compared to the surplus of Kshs 5.69 million reported in the FY 2019/20. The year on year (YoY) surplus declined by half as a result of increase in provision for bad debts by Kshs 24.37 million at the end of the financial year ending 30 June 2021. This is as management adopted a conservative accounting to manage its current business risks resulting from decreased rent repayment rate and request for rent waivers as investors recover from the revenging economic effects posed by COVID-19 pandemic

For the financial year ending 30 June 2021, The Authority managed to generate Kshs 558.52 million against the budget revenue target of Kshs 518.64 million representing a 99% target achievement.

Appropriation-in-Aid was Kshs 469.10 million for the period ending 30 June 2021 against a budget of Kshs 474.15. This represents 98% achievement against the target.

The Authority's operating expenditure (without the foreign currency exchange factor) stood at Kshs 558.72 million against a revenue income of Kshs 558.52 million recording an operating deficit of Ksh.0.2 million for the period ending 30 June 2021. The operating deficit was a result of increase of expenditure in hospitality supplies & services, maintenance of vehicles and other operating expenditure. The Net surplus of kshs. 2.8million is as a result of foreign exchange gain (non cash item) of kshs 5.1mililion.

EPZA's Compliance with Statutory Requirements

During the FY 2020/2021, 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 Olooloitkoshi/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

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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 rent and license trade receivables are doubtful debts and bad debts. These debts have proved to be uncollectable and adequate provision for the doubtful debts should be made as well as writing-off bad debts.

EPZ program is experiencing the negative effects of the novel coronavirus (COVID 19). This is due to the disruption of the global supply chain input shortages causing some manufacturing enterprises to suspend operations. The government-imposed curfew and implementation of the work-from-home system to contain the spread of the coronavirus has also reduced productive working hours negatively affecting businesses of EPZ enterprises.

The challenges facing EPZ firms may lead to reduced sales /no sales negatively affecting revenues. The firms' capacity to pay financial obligations to the Authority when they fall due may be impaired increasing the Authority's credit risk.

Liquidity Risk

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

Authority's Appropriation-in-Aid is 84% of the Authority's revenues. The slowed investment appetite from foreign and local investors due to Coronavirus pandemic and has presented downside risk on the projected cash inflows.

The Authority has recorded delays in payment from its clients with some clients requesting for reduction of prices of services, waivers and extension of their credit period. Lack of adequate cash flows will increase the Authority's liquidity risk which may result to disruption of the Authority's operations.

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.

Currency Risk.

Sixty percent (60%) of the budget A-in-A is denominated in US dollars. The foreign exchange market has recently experienced some volatility largely due to uncertainties with regard to the impact of Covid-19 and a significant strengthening of the US dollar in the global markets.

The Authority uses the Central Bank of Kenya (CBK) daily mean rate for conversation of the foreign currency transactions.

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According to Central Bank Indicative Exchange Rates, the mean rate on 30th June, 2021 was 107.85 against the US dollar. Any appreciation / depreciation of the reporting currency (KSHS) will affect the cash flows emanating from those transactions.

Other Financial Risks.
Over Expenditure

Focus on current year only with no anticipation of future circumstances may have a negative impact on financial sustainability. Shortsighted policies often cannot be maintained in the long term and there is a likelihood of over expenditure on budget lines. The Authority uses multi-year planning for development projects to avoid imminent problems or recurrent consequences of capital spending not foreseen. The Authority also monitors proposed expenditure against the budget before approval is granted to incur expenditure.

Loss of public funds

Likelihood of delay in surrender of advanced imprest by staff within stipulated time may lead to misuse of such funds and lose of public funds. To discourage such and to ensure proper accounting of imprest, the advanced amounts are always fully recovered from the staff salary.

Material Arrears in Statutory/Financial Obligations

Delayed disbursement and reduction in development grant has led to the incompleteness 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, 2021.

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9. CORPORATE STATEMENT/SUSTAINABILITY REPORTING	SOCIAL	RESPONSIBILITY
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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. Despite the country and the world at large being affected by the Covid-19 pandemic, EPZ Authority undertook CSR activities for the financial year ending June 2021.

➤ **Mavoko Pastor's Welfare Association**

The Authority donation of food stuff Mavoko Pastor's Welfare Association worthy ksh.50,000.00

➤ **Water Tank Donation.**

In the spirit of giving back to the community, the Authority donated 3000litre water tank to G.K Athi River Primary School.

➤ **EPZA Christmas Food**

The Authority in partnership with EPZ enterprises donated food staff of over ksh.200,000.00 to less fortunate families in Athi River in December 2020.

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 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, 2021 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. 4,934,637. The Authority has already remitted a provisional figure of Kshs. 2,546,848. Once Audit is complete, the balance of Ksh. 1,894,325 will be remitted to the Consolidated Fund to sum 90% of the total surplus.

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 for the year ended 30 June 2021.

By Order of the Board:

Winnie Sang
Ag. Corporate Secretary


Signature

29/6/2022
Date

11. 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, 2021. 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, 2021, 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 29th September 2021 and signed on its behalf by:



Ben Oluoch Olunya
Chairman of the Board



Hussein Adan Mohamed
Ag. Chief Executive Officer

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON EXPORT PROCESSING ZONES AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

- A. Report on the Financial Statements which considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations which have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner, to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the Authority has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the Authority.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Export Processing Zones Authority set out on pages 1 to 30, which comprise of the statement of financial position

as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, the 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 Export Processing Zones Authority as at 30 June, 2021, and of its financial performance and of cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and complies with the Export Processing Zones Act, 1990 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Outstanding Trade and Other Receivables

As previously reported, the statement of financial position reflects trade and other receivables balance of Kshs.655,218,924 out of which of Kshs.606,011,559 and Kshs.49,207,365 were for trade receivables and other receivables respectively, as disclosed in Note 14(a) and (b) to the financial statements. Included in the other receivables balance of Kshs.49,207,365 is salary advance balance of Kshs.9,258,849 which have been outstanding since 2011. The staff members to whom these salary advances were made have since left the Authority and the outstanding amounts are still reflected in the Authority's books. It is not clear why the salary advances were not recovered from the staff members before their exit from the service. Further, there was no request for the Board's approval to write off the same.

In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs.655,218,924 could not be confirmed.

2. Lack of Ownership and Valuation of Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.12,169,143,885 as disclosed in Note 22 to the financial statements. However, the following issues were observed:

- i. As previously reported, the property, plant and equipment balance of Kshs.12,169,143,885 includes two parcels of land, measuring two hectares with a book value of Kshs.2,250,000, acquired through Gazette Notice No.2802 and 2803 of July, 1991. Further, and as previously reported the Authority acquired land measuring 0.08 Ha at purchase cost of Kshs.6,500,000 in 2015/2016 financial year. However, the Authority had not processed and obtained ownership documents for the parcel of land as at 30 June, 2021.

- ii. However, the Authority had not processed and obtained ownership documents for the parcels of land as at 30 June, 2021.
- iii. In addition, the Authority had not valued its assets for the last nine (9) years. This was contrary to Paragraph 49 of the International Public Sector Accounting Standard (IPSAS) No.17 on property, plant and equipment, which provides for revaluation of property plant and equipment every three to five years.
- iv. The Ministry of Water and Irrigation sunk two boreholes on the Authority's land in 2007. These boreholes were handed over to the Authority without formal documentation. However, the boreholes had not been valued and recognized as part of the Authority's assets.

In the circumstances, the accuracy, completeness, existence, ownership, valuation and presentation and disclosure of the property, plant and equipment of Kshs.12,169,143,885 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

1. Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has indicated that the issues have remained unresolved as Parliament has not met to deliberate on the same.

2. Budget Implementation - Utilization of Development Grants

The statement of financial position reflects development grants of Kshs.147,872,292 as disclosed in Note 19 and 21(b)(i) to the financial statements. The approved budget for development grants for the year under review was Kshs.295,744,584. However, the total development grants received were accounted for as deferred income in the financial statements. Management has not explained why these grants, which were budgeted for

development of a textile hub in Athi River and railway siding/link to Export Processing Zones, were not utilized for the intended purposes, in the year under review.

Other Information

The Management is responsible for the other information, which comprises Key Authority Information and Management, the Board of Directors, Management team, Chairman's statement, report of the Chief Executive Officer, statement of Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability reporting, report of the Directors and statement of Board of Directors' responsibilities. The other information does not include the financial statements and my Auditor's report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter 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

Non-Compliance to the Prescribed Format

The financial statements presented did not comply with the format prescribed by the Public Sector Accounting Standards Board (PSASB). The revised reporting format requires an appendix on progress on follow-up of auditor recommendations to include all the audit issues raised previously by the Auditor-General. However, Appendix 1 to the financial statements on progress on follow-up of auditor recommendations reflects only six (6) issues on qualification part omitting six (6) issues in other parts of the report.

In view of the above, the Authority's financial statements are not prepared in accordance with the PSASB prescribed format.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 the 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate 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 Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report 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 controls 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 controls 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 controls.

- 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 applicable 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 to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


01 September, 2022

13. STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021			
Revenues	Notes	2020-2021	2019-2020
		Kshs	Kshs
Revenue from non-exchange transactions	6a	140,513,217	147,827,235
Revenue from exchange transactions	6b	418,002,493	370,816,941
Total revenue		558,515,710	518,644,176
Expenses			
Employee costs	7	341,042,837	323,405,933
Board expenses	8	17,645,140	16,972,420
Administrative expenses	9	27,993,106	32,429,853
Other operating expenses	10	137,659,601	119,373,250
Depreciation	11	34,377,426	36,810,017
Operating Expenses		558,718,110	528,991,472
Operating Deficit/(Surplus)		(202,400)	(10,347,296)
Other Items			
Foreign Exchange Loss/(Gain)	12	5,137,038	16,239,931
Sub Total		5,137,038	16,239,931
Surplus for the Period		4,934,638	5,892,634

The notes set out on pages 7 to 26 form an integral part of the Financial Statements. The financial statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:


Hussein Adan Mohamed
 Ag. Chief Executive Officer


Denis Kinyua
 GM. Finance, HR & Admin
 ICPAK M/No.12041


Ben Oluoch Olunya
 Board Chairman

Date:



Date:



Date:




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14. STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION			
AS AT 30 JUNE 2021			
		2020-2021	2019-2020
		Kshs	Kshs
ASSETS			
Current Assets			
Cash and Cash Equivalents	13	601,772,627	702,176,320
Trade Receivables and Other Receivables	14	655,218,924	642,498,032
Inventories	15	3,714,484	7,897,907
Sub Total		1,260,706,035	1,352,572,259
Non-current assets			
Property, plant and equipment	22	12,169,143,885	11,945,670,389
Biological assets	16	150,122,342	150,122,342
Sub Total		12,319,266,227	12,095,792,731
TOTAL ASSETS		13,579,972,262	13,448,364,990
LIABILITIES			
Current liabilities			
Trade and Other Payables	17	319,871,575	360,243,163
Unearned Rental Income	17	283,721,390	274,293,875
Sub Total		603,592,965	634,537,039
Non-current liabilities			
Customer Deposits	18	198,409,199	190,974,610
Differed Income	19	5,839,723,896	5,683,362,737
Sub Total		6,038,133,095	5,874,337,347
TOTAL LIABILITIES		6,641,726,060	6,508,874,386
NET ASSETS		6,938,246,202	6,939,490,604
Reserves			
Revaluation Reserves	20a	6,728,206,312	6,728,206,312
Accumulated surplus	20b	210,039,890	211,284,292
TOTAL NET ASSETS & LIABILITIES		6,938,246,202	6,939,490,604

The notes set out on pages 7 to 26 form an integral part of the Financial Statements. The financial statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:


Hussein Adan Mohamed
Ag. Chief Executive Officer


Denis Kinyua
GM. Finance, HR & Admin
ICPAK M/No.12041


Ben Olwoch Olunya
Board Chairman


Date:



Date:



Date:



15. STATEMENT OF CHANGES IN NET ASSETS

STATEMENT OF CHANGES IN NET ASSETS				
For the year ended 30 June 2021				
	Notes	Revaluation Reserves Kshs	Accumulated Surpluses Kshs	Total Kshs
Balance as at July 1, 2019 (a)		6,728,206,312	245,023,671	6,973,229,983
Surplus for the period	20	-	5,892,634	5,892,634
Restatement of accumulated surplus		-	16,161,297	16,161,297
Surplus remittance to treasury		-	(55,793,311)	(55,793,311)
Transfers to accumulated surplus (B)	20	-	(33,739,379)	(33,739,379)
Balance as at 30 June 2020 (a+b)		6,728,206,312	211,284,292	6,939,490,604
Balance as at July 1, 2020 (a)		6,728,206,312	211,284,292	6,939,490,604
Surplus for the period	20	-	4,934,638	4,934,638
Restatement for prior-year items		-	317,699	317,699
Surplus remittance to treasury			(6,496,738)	(6,496,738)
Transfers to accumulated surplus (b)	20		(1,244,401)	(1,244,401)
Balance as at 30 June 2021 (a+b)		6,728,206,312	210,039,890	6,938,246,202

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16. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020-2021	2019-2020
		Shs	Shs
A Cash flows from operating activities			
Receipts			
Application Fees	6a	1,172,623	1,453,673
Government Recurrent Grants	6a	89,460,000	100,000,000
License Fees	6a	49,880,594	46,373,563
Rental Income	6b	277,456,749	235,297,749
Sale of Water (Net of Cost)	6b	101,619,427	85,760,636
Other Incomes	6b	38,926,318	49,758,555
Total Cash flows from operating activities		558,515,711	518,644,176
Payments	7,8,9,10		
Compensation of Employees		341,042,837	323,405,933
Goods and Services		212,167,556	168,775,522
Total Cash outflows from operating activities		553,210,393	492,181,455
Changes in Working Capital Adjustments			
Trade Receivables & other receivables	14	(12,720,893)	(36,367,731)
Inventories	15	4,183,423	193,934
Trade & other Payables	16	(30,944,074)	(61,644,955)
Total Working Capital Adjustments		(39,481,544)	(97,818,752)
Net Cash Flows from Operating activities		(34,176,226)	(71,356,031)
B Cash flows from Investing activities			
Purchase of Property, Plant Equipment & Intangible Assets	11	(214,099,760)	(598,340,166)
Taxes Paid		-	-
Total Cash outflows from Investing activities		(214,099,760)	(598,340,166)
C Cash flows from financing activities			
Development Grant Received	17	147,872,292	470,000,000
Total Cash flows from financing activities		147,872,292	470,000,000
Net (decrease)/increase in cash and cash equivalents		(100,403,694)	(199,696,197)
Cash and cash equivalents at start of the Year		702,176,320	901,872,517
Cash and cash equivalents at end of Year	13	601,772,626	702,176,320


The notes set out on pages 7 to 26 form an integral part of the Financial Statements. The financial statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:


Hussein Adan Mohamed
Ag. Chief Executive Officer

Date:


Denis Kinyua
GM. Finance, HR & Admin
ICPAK M/No.12041

Date:


Ben Oluoch
Board Chairman

Date

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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

ITEMS	Original Budget		Adjustments		Final Budget		Actual amount		Performance difference		% Variance of Utilization	
	A	Kshs	B	Kshs	C = A+B	Kshs	D	Kshs	E=D-C	Kshs	F=D/C	%
Revenue												
Application Fees	2,000,000		-		2,000,000		1,172,623		827,377		59%	
Licence Fees	55,000,000		-		55,000,000		49,880,594		5,119,406		91%	
Rental Income	245,001,900		5,000,000		250,001,900		277,456,749		(27,454,849)		111%	
Water sales	103,344,649		12,103,451		115,448,100		101,619,427		13,828,673		88%	
Other Incomes	45,200,000		6,500,000		51,700,000		38,926,318		12,773,682		75%	
Government grant (Recurrent)	89,460,461		(461)		89,460,000		89,460,000		-		100%	
Total income	540,007,010		23,602,990		563,610,000		558,515,711		5,094,289		99%	
Expenses												
Personnel Emoluments	310,760,400		540,000		311,300,400		305,960,184		5,340,216		98%	
Goods, Utilities, Supplies & Services	6,000,000		1,000,000		7,000,000		6,366,144		633,856		91%	
Communication Supplies & Services	3,020,000				3,020,000		4,467,421		(1,447,421)		148%	
Investments Promotion Expenses	14,540,000		(3,000,000)		11,540,000		10,987,270		552,730		95%	
Domestic travel & Subsistence	10,530,000		(130,000)		10,400,000		9,750,147		649,853		94%	
Printing & advertising, Information supply & services	8,010,080		-		8,010,080		3,776,574		4,233,506		47%	
Rental of produced assets	10,100,000		-		10,100,000		10,090,680		9,320		100%	
Training Expenses	6,000,000		(1,200,000)		4,800,000		2,141,171		2,658,829		45%	
Hospitalities Supplies & services	4,600,000		(600,000)		4,000,000		5,529,508		(1,529,508)		138%	
Board Allowances, Training and Benchmarking	17,603,900		-		17,603,900		17,645,140		(41,240)		100%	
Insurance costs	38,039,000		-		38,039,000		39,680,872		(1,641,872)		104%	
Specialized materials and supplies	5,900,000		-		5,900,000		3,774,120		2,125,880		64%	
Office general supplies	5,500,000		-		5,500,000		5,703,745		(203,745)		104%	
Fuel, Oil and Lubricants	5,000,000		-		5,000,000		4,686,037		313,963		94%	
Other Operating expenses	46,403,630		26,592,990		72,996,620		84,452,142		(11,455,522)		116%	
Maintenance - Vehicles and Other Transport	2,800,000		-		2,800,000		3,457,317		(657,317)		123%	
Maintenance — Other Assets	4,700,000		400,000		5,100,000		5,872,213		(772,213)		115%	
Depreciation (Consumption of Fixed Capital)	40,500,000		-		40,500,000		34,377,427		6,122,573		85%	
Total Operating Expenditure	540,007,010		23,602,990		563,610,000		558,718,113		4,891,887		99%	
Other Items												
Foreign Exchange Loss	-		-		-		(5,137,039)					
Total Expenditure	540,007,010		23,602,990		563,610,000		553,581,074		202,401		98%	
Surplus/ (Deficit) for the Period							4,934,638					

Export Processing Zones Authority
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Budget Notes

The Authority Managed to generate Kshs. 558.56 million against the revenue target of Kshs. 563.60 million.

This shortfall was attributed to the adverse performance of water sales in the FY 2020/2021 which was caused by low volumes from the water supplier, Nairobi Water and Sewerage Company.

The Authority did not manage generate the expected application and Licence fee. The shortfall license fee was mainly as a result of few investors forwarding applications for assessment and approval of new projects in EPZ program.

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

2. Statement of Compliance and Basis of Preparation

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

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

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

3. Adoption of New and Revised Standards

- (i) 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.

- (ii) Early adoption of standards

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

5. 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.

6. 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.

7. 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

NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

8. 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.

9. 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.

10. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. 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.

17. 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.

18. 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 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.

19. Comparative Figures

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

20. 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, 2021.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6	REVENUE		
		2020-2021	2019-2020
		Kshs	Kshs
6a)	Revenue from Non-Exchange Transactions		
	Application Fees	1,172,623	1,453,673
	Licenses fees	49,880,594	46,373,563
	Recurrent Grant (GoK)		
	Unconditional Grant		
	State department of Industry	89,460,000	100,000,000
	Non-Monetary Revenue-Deferred Income	-	-
	Sub Total	140,513,217	147,827,236
6b)	Revenue from Exchange Transactions		
	Water Sales	101,619,427	85,760,636
	Rental Income	277,456,749	235,297,749
	Interest from-On-Call Deposit	25,596,061	24,778,035
	Other Incomes	13,330,256	24,980,521
	Sub Total	418,002,493	370,816,941
	Total Revenue	558,515,710	518,644,177

7	EMPLOYEE COSTS		
		2020-2021	2019-2020
		Kshs	Kshs
	Basic Salaries and Wages	167,585,377	157,912,528
	Personnel Allowances	108,950,804	109,421,621
	Medical Benefit	35,082,653	29,715,805
	Social Contributions	29,424,003	26,355,979
	Other Staff Welfare	-	-
	Total Employees Cost	341,042,837	323,405,933

8	BOARD EXPENSES		
		2020-2021	2019-2020
		Kshs	Kshs
	Directors Emoluments	11,218,192	13,674,008
	Chairman Honoraria	1,044,000	1,037,000
	Boards Committees Expenses, Conferences and Seminars	5,382,948	2,261,412
	Total Board Expenses	17,645,140	16,972,420

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9	ADMINISTRATIVE EXPENSES		
		2020-2021	2019-2020
		Kshs	Kshs
9a	Repairs and Maintenance		
	Property	3,720,188	4,973,175
	Equipment	1,832,567	1,504,530
	Vehicles	3,457,317	2,424,642
	Other	319,458	473,142
	Sub Total	9,329,530	9,375,489
9b	Contracted services		
	Contracted Professional Services	1,723,494	2,138,173
	Contracted Technical Services	-	21,552
	Consultancy Fee	1,405,676	5,170,021
	Contracted Guards	15,534,406	15,040,620
	Audit fee	-	684,000
	Sub Total	18,663,576	23,054,365
	Total Administrative expenses	27,993,106	32,429,853

10	OTHER OPERATING EXPENSES		
		2020-2021	2019-2020
		Kshs	Kshs
	Goods Utilities Supplies & Services	6,366,144	5,116,532
	Investment Promotion	10,987,270	6,510,725
	Communication Supplies & Service	4,467,421	2,541,658
	Domestic Travel & Other Transport Costs	9,750,147	6,644,950
	Printing Advert Info Supply & Service	3,776,574	6,859,727
	Rental of Produced Assets	10,090,680	6,141,298
	Training Expenses	2,141,171	1,526,730
	Hospitality Supplies and Services	5,529,508	4,616,996
	Insurance Costs excluding medical	4,598,219	6,976,522
	Specialized Materials and Supplies	3,774,120	6,843,403
	Office General Supplies	5,703,745	5,828,975
	Fuel Oil & Lubricants	4,686,037	4,993,377
	Legal Expenses	25,115,560	18,989,764
	Other Operating Expenses	40,673,005	35,782,593
	Total Operating Expenses	137,659,601	119,373,250

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11	DEPRECIATION		
		2020-2021	2019-2020
		Kshs	Kshs
	Buildings	8,359,583	8,359,583
	Computers and Printers	4,632,439	4,632,439
	Infrastructure	8,857,551	8,857,551
	Motor Vehicles & Other Moveable Equipment	7,297,768	9,730,358
	Office Equipment	3,005,862	3,005,862
	Office Furniture	2,224,223	2,224,223
	Total Depreciation	34,377,426	36,810,017

12	FOREIGN EXCHANGE TRANSACTIONS		
		2020-2021	2019-2020
		Kshs	Kshs
	Loss/Gain on Foreign Exchange Transactions	5,137,038	16,239,931
		5,137,038	16,239,931

13	CASH AND CASH EQUIVALENTS		
		2020-2021	2019-2020
		Kshs	Kshs
	Current Account	184,599,213	272,277,829
	Others (Cash-in-Hand)	139,415	97,185
	Others (Accrued Interest)	1,765,914	1,765,914
	On-Call Deposits	355,955,000	370,000,000
	Staff Mortgage	59,313,084	58,035,391
	Total	601,772,627	702,176,320
a)	Detailed Analysis of the Cash and Cash Equivalents		
	Current Accounts		
	NBK-Hill Branch (01001031540800)	-	11,445,424
	NBK-Kitengela Water Deposit (010010315408010)	1,237,224	868,932
	NBK-Government Dev Grants-Kitengela (01001089587000)	10,738,924	104,207,228
	NBK-Sinking Fund Account-Kitengela (01001024633300)	8,257,787	8,257,787
	KCB Bank - Moi Avenue (1101641797)	142,607,761	129,892,410
	KCB Bank - Kitengela (1102736953)	4,834,836	1,189,418
	KCB Bank - Kitengela (1102737380)	16,922,681	16,416,630
	Sub- Total	184,599,213	272,277,829

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b)	Cash in hand		
	Petty Cash - Athi River Head Office	47,024	1,144
	Petty Cash - Mombasa Office	58,060	60,000
	Petty Cash-Kisumu Office	34,331	36,041
	Sub- total	139,415	97,185
c)	On-Call Deposits		
	NBK-Kitengela (014050895870000)	180,000,000	240,000,000
	Kenya Commercial Bank	175,955,000	130,000,000
	Accrued Interest - NBK	-	-
	Sub- total	355,955,000	370,000,000
d)	Staff Mortgage		
	Housing Finance Group (SD-200-0081210)	59,313,084	58,035,391
	Accrued Interest-HFC/KCB	1,765,914	1,765,914
	Sub- total	61,078,998	59,801,305
	Grand Total	601,772,627	702,176,320

14	TRADE RECEIVABLES AND OTHER RECEIVABLES		
		2020-2021	2019-2020
		Kshs	Kshs
a	Trade Receivables		
	Trade receivables	703,202,450	666,942,626
	Less: Impairment Allowance/Provisions	(97,190,891)	(72,825,004)
	Total Trade Receivables	606,011,559	594,117,622
b	Other Recievables		
	Staff debtors Imprest	1,456,681	1,639,737
	Staff debtors (medical)	427,700	427,700
	Staff debtors (Advances)	9,258,849	9,305,985
	Other Debtors	29,614,757	29,069,482
	Prepayments	8,449,378	7,937,505
	Total Other Receivables	49,207,365	48,380,410
	Total Trade and Other Receivables	655,218,924	642,498,032

15	INVENTORIES		
		2020-2021	2019-2020
		Kshs	Kshs
	Inventory - Water items	422,512	262,378
	Stationary	437,961	5,178,411
	Electrical Computer & Fire Accessories	2,854,011	2,457,118
	Total inventories	3,714,484	7,897,907

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16	BIOLOGICAL ASSETS		
		2020-2021	2019-2020
		Kshs	Kshs
	Cost at the start of the year.	150,122,342	150,122,342
	Additions during the year	-	-
	Total Biological assets	150,122,342	150,122,342

17	TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
		2020-2021	2019-2020
		Kshs	Kshs
	Bank Overdraft - NBK-HILL Branch (01001031540800)	183,176	0
	Trade Creditors	12,952,628	15,041,965
	Accruals	82,583,681	71,605,838
	Sundry creditors	36,380,155	25,668,554
	Retention Money (Contractors)	187,771,935	247,926,806
	Sub Total	319,871,575	360,243,163
17	Unearned Income	283,721,390	274,293,875
	Total Trade Payables and Other Payables	603,592,965	634,537,039

18	REFUNDABLE DEPOSITS FROM CUSTOMERS		
		2020-2021	2019-2020
		Kshs	Kshs
	Rent Deposits	92,433,157	85,402,365
	Water Deposits	91,643,691	91,239,894
	Sewer Deposits	14,332,351	14,332,351
	Total deposits	198,409,199	190,974,610

19	DEFERRED INCOME		
		2020-2021	2019-2020
		Kshs	Kshs
	At start of the Year	5,683,362,737	5,221,851,202
	Development Grant Received	147,872,292	470,000,000
	Adjustment	8,488,867	13,834,244
	Less: Deferred Income Recognized in Current Year	-	(17,858,167)
	Deferred Income Recognised for Next Qtr 2019	-	(4,464,542)
	As at end of Year	5,839,723,896	5,683,362,737

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20	RESERVES		
20a	Revaluation Reserves		
		2020-2021	2019-2020
		Kshs	Kshs
	Revaluation Reserves	6,728,206,312	6,728,206,312
	Accumulated Reserves at start of the Year	211,284,291	245,023,671
	Surplus remittance to treasury	(6,496,738)	(55,793,311)
	Current Year Deficit	4,934,637	5,892,634
	Adjustments for prior-Year items	317,699	16,161,297
20b	Accumulated Reserves at end of the Year	210,039,890	211,284,292
	Total Reserves	6,938,246,202	6,939,490,604

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.	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2020-2021	2019-2020
21a	Key Management Compensation	Kshs	Kshs
	(i) Management Compensation (Salaries & Short-term Benefits)		
	Compensation to the CEO (provision)	-	5,656,695
	Compensation to Key Management	88,988,499.88	78,750,885
	Sub Total Management compensation	88,988,499.88	84,407,580
	ii) Directors' remuneration		
	Board Allowances	11,218,192	13,674,008
	Chairman Honoraria	1,044,000	1,037,000
	Boards Committees Conferences and Seminars	5,382,948	2,261,411
	Sub-Total	17,645,140	16,972,420
	Total	106,633,640	101,380,000
21b(i)	Transfers from Departments of Industrialization		
		2020-2021	2019-2020
	i) Development Grant	Kshs	Kshs
	Quarter 1	147,872,292	-
	Quarter 2	-	-
	Quarter 3	-	300,000,000
	Quarter 4	-	170,000,000
	Sub-Total	147,872,292	470,000,000
21b(ii)	ii) Recurrent Grant		
	Quarter 1	22,365,000	25,000,000
	Quarter 2	22,365,000	25,000,000
	Quarter 3	22,365,000	25,000,000
	Quarter 4	22,365,000	25,000,000
	Sub -Total	89,460,000	100,000,000
	Total Grant Received	237,332,292	570,000,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings & Fixtures	Infrastructure	Motor Vehicles	Furniture	Computers	Office Equipment	Work - In-Progress	Total
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Cost									
At 1 July 2019	5,455,260	848,009	1,773,373	68,421	25,365	38,046	33,833	3,402,162	11,644,469
Additions		3,466	19,284		2,119	2,130	20,121	551,220	598,340
Adjustments		11,652	(2,220)		2,224	4,389	519		16,564
Transfer									
At 30 June 2020	5,455,260	863,127	1,790,437	68,421	29,708	44,565	54,473	3,953,382	12,259,373
Cost									
At 1 July 2020	5,455,260	863,127	1,790,437	68,421	29,708	44,565	54,473	3,953,382	12,259,373
Additions		527	1,365		357	5,159	9,194	183,469	200,071
Adjustment			(16,871)						(16,871)
Transfer									
At 30 June 2021	5,455,260	863,654	1,774,931	68,421	30,065	49,724	63,667	4,136,851	12,442,574
Depreciation and impairment									
At 1 July 2019	-	49,207	52,652	48,823	9,390	32,698	9,472	-	202,243
Depreciation charge for the year		8,360	8,858	9,730	2,224	4,632	3,006		36,810
Disposals									
Transfer/adjustment			6,020	(6,020)					
At 30 June 2020	-	57,567	67,530	52,533	11,614	37,330	12,478	-	239,053
Depreciation and impairments									
At 1 July 2020	-	57,567	67,529	52,534	11,614	37,330	12,478		239,053
Depreciation charge for the year		8,360	8,858	7,298	2,224	4,632	3,006		34,377
Impairments									
Adjustment									
At 30 June 2021	-	65,927	76,387	59,832	13,838	41,962	15,484	-	273,430
Net book values									
At 30 June 2021	5,455,260	797,727	1,698,544	8,589	16,227	7,762	48,183	4,136,851	12,169,144
At 30 June 2020	5,455,260	797,201	1,714,050	6,156	15,870	2,603	38,989	3,915,541	11,945,670

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24	Contingent Liabilities		
		2020-2021	2019-2020
		Kshs	Kshs
	Court cases against the EPZA	1,075,581,836	1,075,581,836
	Total	1,075,581,836	1,075,581,836

24. TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Entity Sending the Grant	Amount Recognized to Statement of Comprehensive Income	Amount Deferred Under Deferred Income	Amount Recognized in Capital Fund.	Total Grant Income During the Year	30-Jun-21
	Kshs	Kshs	Kshs	Kshs	Kshs
Ministry of Industry, Trade and Cooperatives	89,460,000	-	147,872,292	237,332,292	237,332,292
Total	89,460,000	-	147,872,292	237,332,292	237,332,292

25. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Description	2020-2021	2019-2020
	Kshs	Kshs
Court cases against the EPZA Total	1,075,581,836	1,075,581,836
	1,075,581,836	1,075,581,836

27. CAPITAL COMMITMENTS

Description	2020-2021	2019-2020
	Kshs	Kshs
Authorized and contracted for	1,450,900,000	4,871,980,922
Total	1,450,900,000	4,871,980,922

28. SURPLUS REMISSION

Provisional draft Annual Financial Statement indicate that EPZA made a surplus of Kshs. 4,934,637. The Authority has already remitted a provisional figure of Kshs. 2,546,848. Once Audit is complete, the balance of Ksh. 1,894,325 will be remitted to the Consolidated Fund to sum 90% of the total surplus.

29. EVENTS AFTER THE REPORTING PERIOD

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

30. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. Currency

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

19. 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	(i) Land as previously reported included in property, plant and equipment balance of Kshs. 11,945,670,389 as at 30 June 2020 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 processed and obtained ownership documents as at 30 June 2020	(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

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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)
	(ii) Land L.R 337/2917 measuring 0.08Ha at purchase cost of Ksh 6,500,000 in 2015/2016. The Authority had not processed and obtained ownership documents as at 30 June 2020	Through a court order on 8/6/2017, the Authority obtained original title deed and original deed. The Owner passed on and a succession case is ongoing in court. Authority is following the transfer through court process.	CEO and Corporate Secretary	Not Resolved	Ongoing
	(iii) The Authority had not valued its assets for the last (8) years.	Through National Land commission the Authority has completed valuation of its assets	CEO and GM-Commercial & Technical Services	Partly Resolved	Ongoing
	(iv) Boreholes in 2007, the then Ministry of Water and Irrigation developed two (2) boreholes on EPZA land, one at the disputed parcel of land next to PCEA Church Kitengela Township and the other next to the EPZA police post. The management has indicated that ownership of boreholes was handed over to the Authority without formal documentation and that the boreholes have been tested and confirmed to be economically viable. However, no evidence has been provided for audit review to confirm that the two boreholes have been valued and recognized as the assets of the Authority. In the circumstances it has not been possible to confirm	i) The Authority is currently liaising with the Ministry of Environment, Water and Natural Resources who dug and equipped the borehole at the elevated water tank to have the borehole's asset formally transferred to EPZA. Attached please find the relevant correspondence. ii) The Borehole next to EPZA police post is situated on EPZA land and ownership is further supported by implied and adverse possession over the years.	CEO and GM-Commercial & Technical Services.	Not Resolved	On going

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	that the Property, Plant and Equipment balance of Kshs.9,476,115,000 as at 30 June 2016 is fairly stated.				
2	Misclassification of Directors expenses. Employees cost of Ksh 323,405,933 as at 30 June 2020 included kshs. 4,866,166 attributed to board expenses. Employees costs has been overstated by ksh 4,866,166 while directors' expenses had been understated by the same amount	The Authority noted the observation and adjusted the books accordingly. This has since been resolved	GM. Finance, HR & Admin	Resolved	Resolved
3.	Personal allowances ledger on transfer allowances revealed that the Authority paid ksha. 348,343 to four officers in areas for 2018/19. Employee cost ledger indicated that the Authority paid ksh.369,787 as transfer allowance to the same employees	The Authority is currently in the process of reviewing its HR instruments to ensure all allowances relating to employees are clear and do not have allowance which may seem to be related.	GM. Finance, HR & Admin	Unresolved	Ongoing

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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)
4	<p>Financial statement reported legal expense of Kshs. 18,989,764.</p> <p>(i)The Authority engaged a law firm in ELC Miscellaneous application No. 48 of 2019 which requested a deposit of Ksh 35,380,000 with Ksh 12,500,000 payable to senior counsel.</p> <p>(ii)The Authority engaged a law firm to represent in petition No.15 of 2019. The law firm requested a deposit of Ksh.52,787,250 with ksh.25,000,000 payable to senior counsel. The process of negotiating started once the deposit were paid. Management did not provide evidence on how the engagement of the senior counsel was arrived at.</p>	<p>Prior to making payments on the fee notes raised by External Advocates, the Authority usually calculates the fees payable as provided for by the Advocates Remuneration Order and payments of such fees raised are only made upon seeking relevant recommendations and approvals. This ensures the Authority is not being overcharges and pays within the provided guidelines</p>	CEO and Corporate Secretary	Not Resolved	Ongoing
5	<p>Statutory Deductions revealed that total PAYE deductions kshs 61,741,442 in respect to employees and another ksh 5,110,719 in respect to Board allowance and casual staff. Management did not provide for Audit the schedule of the PAYE deductions from salary arrears, final due and gratuities, employee who were on previously on suspension and/or interdiction.</p>	<p>The Authority made provisions for salaries of employees who were on interdiction or suspension. PAYE in respect to the provisions made in 2019/2020 where paid in 2020/2021. The Audit schedule for the same had been provided during Audit of year under review.</p>	GM. Finance, HR & Admin	Resolved	Resolved

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6	Trade and Other Receivables as previously reported, included in trade and other receivables balance of Kshs. 642,498,032 as at 30 June 2020 is an amount of Kshs. 10,875,448 which relates to advances and outstanding imprests issued to ex-staff. The figure includes Kshs.8,690,786 issued to former Chief Executive	The former CEO was dismissed and ordered to pay the Authority all out- standing monies. This matter was forwarded to Ethics and Anti-Corruption Commission and the former officer is under investigation pending conclusion	CEO	Not Resolved	On-going - The former CEO's case will be dependent upon the EACC conclusion of the matter.
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Hussein Adan Mohamed
Chief Executive Officer

Sign.....

Date.....

Ben Oluoch Olunya
Chairman of the Board

Sign.....

Date.....

Guidance Notes:

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

20. APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Status of Projects completion

Project Status as at 30 June 2021				
Project in Order of Category, Priority and Justification	Status	Estimated Project cost	Cumulative Expenditure as at 30 June 2021	Cumulative Outstanding Project Cost as at 30 June 2021
Development of Athi River Textile Hub and Leather Park at Athi River EPZ, Machakos County	Ongoing 90% Complete	3,577,959,448	3,238,186,509	339,772,939
Contract for construction of modern common Effluent Treatment Plant (CETP) and Associated Infrastructure at Kenanie Machakos County (Joint contract between EPZA and KLDC) Contract Amount Ksh.2,265,324,234	Ongoing 30% Complete (EPZA payments only)	1,132,662,117	347,674,581	784,987,536
Development of Railway Siding and Related Infrastructure	Initial works	1,500,000,000	49,100,000	1,450,900,000

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21. APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:	Export Processing Zones Authority		
Break down of Transfers from the State Department of Investment and Industry				
	FY 2020/2021			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		11/8/2020	7,455,000	FY 2020/2021
		24/08/2020	7,455,000	FY 2020/2021
		23/09/2020	7,455,000	FY 2020/2021
		23/08/2020	22,365,000	FY 2020/2021
		2/2/2021	22,365,000	FY 2020/2021
		5/5/2021	22,365,000	FY 2020/2021
		Total	89,460,000	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		31/08/2020	50,000,000	FY 2020/2021
		31/08/2020	97,872,292	FY 2020/2021
		Total	147,872,292	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			00	
			00	
		Total	000	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			00	
		Total	000	

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

Manager-Finance & Accounts
EPZ Authority

Sign

Head of Accounting Unit
State Department for Investment & Industry

Sign

22.APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

The Authority had no transfers from other government entities during FY 2020/2021.

